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Arizona Department Of Revenue

1988 Annual Report

ARIZONA DEPARTMENT OF REVENUE
1600 WEST MONROE • PHOENIX, ARIZONA 85007

ROSE MOFFORD
GOVERNOR

PAUL WADDELL
DIRECTOR

November 15, 1988

The Honorable Rose Mofford
Governor, State of Arizona
1700 West Washington
Phoenix, Arizona 85007

Dear Governor Mofford:

The Arizona Department of Revenue is pleased to submit to you and to the 39th State Legislature our annual report for the fiscal year ending June 30, 1988.

As you will note throughout this report, the Department of Revenue made substantial progress in its continuing efforts to better administer and enforce Arizona's tax laws. The more than $3 billion in gross revenues collected and distributed by the department was a record. Nearly $1.6 billion came from sales and use taxes, $1.3 billion from income taxes and $67 million from property taxes. The remaining $139 million came from luxury, estate and other taxes.

It is our objective, through this report, to increase taxpayers' understanding of the operation of the department and its efforts to fairly and equitably enforce all tax laws.

Sincerely,

ARIZONA DEPARTMENT OF REVENUE

Paul Waddell
Director

PW:lh

ARIZONA DEPARTMENT OF REVENUE

1988 ANNUAL REPORT

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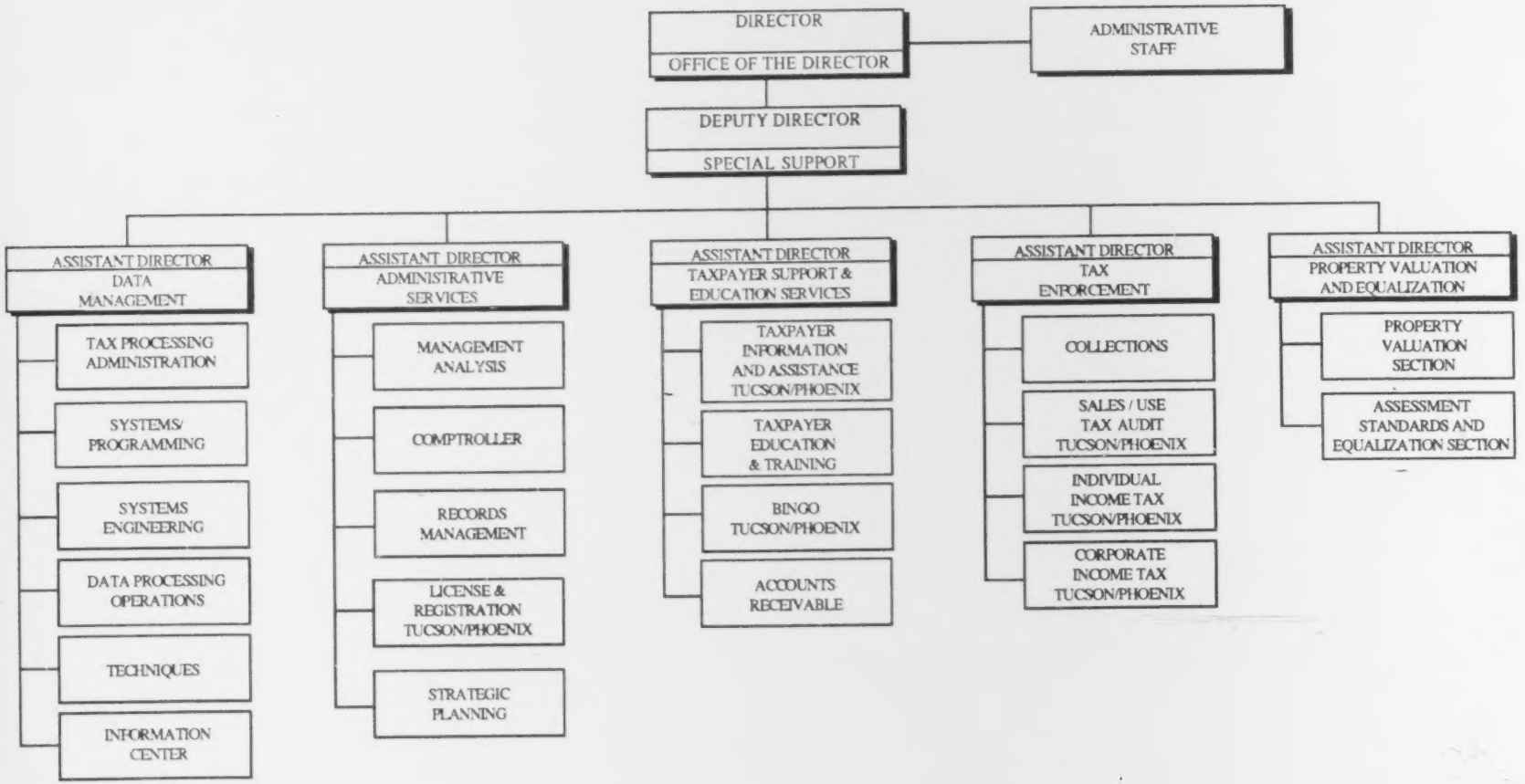
STATE OF ARIZONA
DEPARTMENT OF REVENUE
ORGANIZATION CHART
OCTOBER 1988



HISTORY OF THE DEPARTMENT OF REVENUE

The Arizona Department of Revenue was formed from the State Tax Commission and other agencies. The Commission was created in 1912 and consisted of a three member nonpartisan board which was elected for a six year term. In 1974, the law establishing the Commission was repealed and its powers and duties were transferred to and shared by the Department of Revenue and the State Board of Tax Appeals.

The Arizona Department of Revenue commenced operations on July 1, 1974. On this date the duties, responsibilities and activities of the former Department of Property Valuation, the Estate Tax Commission and certain functions of the State Tax Commission were transferred to this new agency. The Department of Revenue then consisted of three divisions: Division of Property and Special Taxes; Division of Income, Luxury, Sales and Estate Taxes; and the Division of Administration.

Currently, the department operates within five divisions: Administrative Services; Property Valuation and Equalization; Tax Enforcement; Taxpayer Support and Education Services; and Data Management. All divisions are integrated to achieve their primary goal of efficient tax collection and processing.

The Department of Revenue is responsible for administering Arizona's tax laws in the primary areas of income, sales, use, luxury, withholding, property, estate, fiduciary, bingo and severance. The Department had an annual operating budget of $34.5 million (FY 1987-88) with 926 full-time positions and an additional 150 temporary staffers during the tax season.

The department has offices in Phoenix and Tucson. The Phoenix office recently moved into a new building in the Capitol Complex which houses all of its operations (except warehousing) under one roof. This improves communications and reduces operating costs. Other features of the new building include: a card access security system; fiber optic network for data communications; new phone system; a usage of modular furniture and a flexible floor plan which will reduce future maintenance costs; taxpayer lobbies to provide adequate seating for visitors; on-site training facilities; a covered parking garage and on-site storage for component parts for modular furniture and seasonally used equipment.

The Department of Revenue is particularly proud of its innovations which have received national attention. These include initiating one of the first-ever state tax amnesty program; computerized mass appraisal systems for property valuation; the use of employee task forces to improve workflow and service levels; and the first comprehensive state tax automated communication system. Productivity has increased in virtually every area of the department. The department's primary goal is two-fold: first, to provide effective and efficient service to the taxpayers of the State of Arizona and secondly, to collect the maximum amount of revenues due the State.

DEPARTMENT OF REVENUE

The Department of Revenue is organized along functional lines to achieve its three major objectives: (1) efficient processing of returns, (2) timely enforcement of tax statutes and (3) accurate valuation of property. The following is a brief description of the activities performed within each division of the Department of Revenue.

Director's Office

The duties of the Director are established by statute. The Director is responsible for the direction, operation and control of the department to ensure the administration and collection of taxes is performed effectively and efficiently. The Director's Office includes:

Hearing Office

The Hearing Office responds to taxpayer requests for tax appeal hearings. A hearing officer is responsible for presiding over the hearing, evaluating the evidence presented and rendering a decision on the tax appeal.

Arizona Taxpayers Assistance Office (Ombudsman)

The Arizona Taxpayers Assistance Office is the "point of last resort" for dissatisfied taxpayers. The Ombudsman works with them to resolve disputes they have with the department and is also responsible for monitoring taxpayer complaints regarding improper, abusive and inefficient service by the department. Additionally, this office monitors the number and type of property seizures made by the department.

Internal Audit and Criminal Investigations

The Internal Audit and Criminal Investigations Section has a two-fold responsibility. First, it is responsible for evaluating the policies, procedures and controls of the department and to make recommendations to improve effectiveness, efficiency and management of resources. Secondly, it investigates tax fraud cases and with the assistance of the Attorney General's Office, recommends criminal prosecution when warranted.

Tax Policy and Analysis

The Tax Policy and Analysis Section reviews, analyzes, develops and disseminates policy for all taxes, other than property taxes, administered by the department. It is also responsible for the annual review of tax forms to ensure they are in compliance with current law.

Legislative Services

The Legislative Services Section coordinates the flow of information on legislative issues. The Administrator serves as the department's Legislative Liaison and as its Disclosure Officer.

Public Information Officer

The Public Information Officer is responsible for facilitating the flow of accurate and timely public information while protecting statutorily confidential taxpayer and proprietary information. The Public Information Officer coordinates all media contacts and inquiries, requests for speakers and information from the department to the public.

Affirmative Action Officer

The Affirmative Action Officer is responsible for instructing department employees on Equal Employment Opportunity laws, rules and policies. The Affirmative Action Officer also investigates allegations of discrimination and sexual harassment.

Administrative Services Division

The mission of the Administrative Services Division is to provide efficient, quality, courteous service to our "customers" both within and outside the department. This division consist of the following five sections:

Comptroller

The Comptroller's Section is responsible for the financial accounting and reporting of Department of Revenue processed tax receipts, including the chain of accounting through the State Treasurer's Office to the Department of Administration, Finance Division. Additionally, the section provides services in the area of personnel and payroll services, budget, purchasing payables management, facilities management and unclaimed property administration.

Econometrics

The Econometrics Section provides technical services in the form of: forecasting general fund revenues, calculating fiscal impacts on proposals affecting tax collections, reporting information on taxes, staffing of statutorily-mandated commissions, monitoring and ensuring proper distribution of tax collections.

License and Registration

The License and Registration Section processes business license applications for sales tax and employer withholding tax in compliance with the laws, State and department policies; maintains account information; assists the public with information about licensing; accepts tax payments; distributes forms; performs license compliance activities to identify and license previously unlicensed businesses.

Management Analysis

The Management Analysis Section performs in-depth internal management analysis of department programs and provides staff support in the implementation of recommendations that improve efficiency and effectiveness.

Records Management

The Records Management Section maintains the statutorily required archival files of tax returns filed with the department and provides support services to access them. This section also performs microfilming processing of all income tax records.

Data Management Division

The mission of the Data Management is to process tax filing documents and remittances from their receipt into the department through automated processing. This division provides the automated processes for all other divisions and is responsible for all mainframe, small computer and personal computer services. Additional activities include the administration of the Agency Debt Setoff and Estate Tax programs. This division consists of the following six sections:

Tax Processing Administration

The Tax Processing Administration section handles incoming and outgoing mail for the department and prepares documents for entry into the various automated systems. Document errors discovered during computer processing are resolved. Other functions include collection of estate taxes, issuance of waivers of tax on estates of deceased persons, and processing administration of the Debt Setoff program.

Data Processing Operations

The Data Processing Operations section enters data into the computer, operates various computer equipment, and prepares and monitors all mainframe computer program executions. Other functions include support of mainframe terminal networks, tuning of hardware facilities to ensure efficiency, and serializing and preparing remittances for bank deposits.

Systems and Programming

The Systems and Programming section designs and supports all application systems and programs as requested by all divisions in the department. Other functions include assisting in the coordination of efforts regarding design of computer input forms, and resolution of errors involving computer application systems.

Techniques

The Techniques section installs and maintains the computer system software. In addition, this section co-ordinates the acquisition and networking of all hardware linked to the mainframe computer.

Systems Engineering

The Systems Engineering section provides information services pertaining to the tax systems. This section also acquires, installs and maintains data base system software products. In addition, the section provides quality assurance programming services.

Information Center

The Information Center section provides all personal computer support services, operates and maintains all the department's PC networks.

Tax Enforcement Division

The mission of the Tax Enforcement Division is first, to ensure compliance with Arizona tax laws and Department of Revenue regulations and policies through the auditing of the income, withholding, sales and use tax returns. Secondly, this division ensures the efficient and impartial enforcement of all Arizona tax laws and DOR administrative rules and procedures in the collection of delinquent taxes. This division consists of the following four sections:

Individual Income Tax

The Individual Income Tax Section conducts office audits of individual taxpayers. Audits are selected through matching federal and other agency information to state records. Audits are also performed on taxpayers who have been audited by IRS and failed to report these changes to the state. This section also handles hearings, prepares briefs and deals with non-filers. The automation of assessments has allowed the section to pursue new sources of revenue.

Corporate Income Tax

The Corporate Income Tax Section conducts audits of corporate income taxpayers. Much of the work is performed out of state where the corporate headquarters are located. The section receives copies of federal audits on Arizona filers from the Internal Revenue Service (IRS). These are processed in the office audit function. This section also handles audits of holders of unclaimed property. Audit select is currently handled manually and is based on the type and number of adjustments.

Sales and Use Tax

The Sales and Use Tax Section conducts audits to ensure that the laws governing these taxes are adhered to by the taxpayers. Audit selection is currently automated to select, on a cyclical basis, the major payers of sales tax. The majority of the other audits currently being selected are through reaudits and auditor self-generated audits.

Collections Administration

The Collections Administration Section secures the payment of delinquent taxes and filing of delinquent returns in an impartial manner via direct phone and field contact with the taxpayer in order to encourage voluntary compliance with Arizona's tax laws. This section also protects the interest of the state through enforced collections of the most seriously delinquent and jeopardized taxes.

Taxpayer Support and Education Services Division

The mission of the Taxpayer Support and Education Services Division is to maximize the level of compliance in all tax or fee areas, enhance the processing of tax returns and license applications, and accelerate the collection of revenues due the State through taxpayer and employee education and assistance. This division consists ~~of the~~ following five sections:

Education and Training

The Education and Training Section provides and ensures training support for department production and service, planned department change and individual employee growth for all persons involved with the administration of any taxes under the jurisdiction of the department.

Taxpayer Education

The Taxpayer Education Section develops and promotes public information media concerning tax administration. The section also coordinates the development and review of functional and accurate external use forms and tax-related documents for the department.

Taxpayer Information and Assistance

The Taxpayer Information and Assistance Section provides general information concerning all taxes administered by the department; resolves taxpayer account problems and ensures that all billing inquiries and disputes are resolved in an accurate, courteous and timely manner.

Accounts Receivable

The Accounts Receivable Section performs all maintenance on the accounts receivable system by accurate and daily data input to provide constant control on outstanding accounts of all tax types. This section also investigates and clears all credit balances and promptly processes non-sufficient funds checks.

Bingo

The Bingo Section administers the bingo laws and rules to ensure that only lawful bingo activity takes place within the jurisdiction of the State of Arizona.

Property Valuation and Equalization Division

The mission of the Property Valuation and Equalization Division is to ensure that all property in the State of Arizona is accounted for, properly classified and valued equitably as provided by Arizona state law.

Centrally Valued Properties

The Centrally Valued Properties Section annually determines the full cash value of all utilities, railroads, airlines, pipelines, mines, and other complex or geographically dispersed properties. Values determined by this section for such properties are transmitted to the proper County Board of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

Locally Assessed Property

The Locally Assessed Property Section adopts uniform appraisal methods and techniques to be used by the department and the county assessors to determine the valuation of real and personal property. This section also develops and updates appraisal manuals and guidelines on an annual basis; assists the county assessors in appraising residential, commercial, industrial and agricultural properties and in maintaining a standardized mapping system; and provides training to county assessors' staff in these vital areas.

Research and Equalization

The Research and Equalization Section's primary responsibility is to ensure that all property in the state is appraised for tax purposes at its full cash value. Recent legislation mandated a biennial equalization process beginning with the 1988 tax year.

This section performs studies comparing appraised values with the actual sales prices of recently sold property (sales ratio study) several times a year to evaluate appraisal performance. Studies are done by county, type of property and area. The section also develops mass appraisal models annually for many residential properties in the state.

FISCAL YEAR 1987-88 DEPARTMENT OF REVENUE HIGHLIGHTS

* Completion and occupancy of new Department of Revenue building
* Reorganization of divisions to provide greater efficiency
* Establishment of Internal Audit Section
* Implementation of Automated Collection System
* Increased capacity of mainframe computer and the number and types of software programs
* Establishment of "PC Network" for department's personal computers
* Increased the number of training classes offered to department employees
* Expanded and updated the Income Tax Model
* Decreased processing time for license applications
* Decreased cost of distributing tax forms
* Conducted tax seminars for professional/civic groups and for large/small businessmen
* Provided "lap top" computers for field auditors
* Rendered 619 decisions on tax appeals cases
* Monitored 177 pieces of legislation and provided testimony as necessary
* Updated the department's Administrative Rules

DIRECTOR'S OFFICE HIGHLIGHTS

The Director's Office realized several major accomplishments during fiscal year 1987-88. These include:

* Completion and occupancy of new DOR building
* Reorganization of divisions to provide better efficiency
* Implemented the Director's Information Network (DIN) to increase the level of communication among management
* Established an Internal Audit Section to provide an independent review and appraisal of agency activities and operations
* Responded to 5800 complex and technical tax questions which required statutory research, analysis and interpretation
* Processed 669 tax appeal cases and rendered 619 decisions
* Investigated criminal violations of Arizona tax laws
* Monitored 177 pieces of legislation
* Reviewed department's administrative rules and eliminated those which were outdated

These accomplishments demonstrate the department's desire to increase its effectiveness, efficiency and quality of service to the taxpayers.

ADMINISTRATIVE SERVICES DIVISION HIGHLIGHTS

The Administrative Services Division had a particularly busy year in FY 1987/88, with significant achievements or progress in each section.

Management Analysis

The Management Analysis Section, together with representatives of the Purchasing Unit of the Comptroller Section, were responsible for:

* Coordination of interior designs of modular furniture
* Coordination of all moves of staff and equipment to the new building
* Selection, coordination of design and installation of new phone systems
* Coordination of surplus property movement
* Resolution of building and modular related problems
* Preparation and administration of most of the move and new equipment contracts associated with the move

The move was completed ahead of the contractor's allowed completion schedule. This was due to the fact that moves were done primarily over weekends to minimize the impact on service to taxpayers. The success of the move is best measured by the fact that there was no significant change in processing times for tax returns from last year and, in fact, improvements were made in a number of areas.

License and Registration

* During FY 87/88, substantial progress was made in licensing activities. A record 37,736 license applications were processed. Average turnaround times dropped from 4.2 to 1.6 days while experiencing a 7.5% increase in volume. This service improvement was made despite the disruption which occurred in moving computers and staff to the new building. It was a primary reason given for our customer services surveys showing a 1.1 rating (on a scale of 1 to 5 with 1 being the highest). Taxpayers were particularly pleased with over-the-counter licensing services.

* Similar improvements on service were made in:

  Individual Forms Order Processing - Processed 89,932 orders (a 24% increase) with an average turnaround time of less than 1 day per order.

  License Maintenance - Processed 82,349 items with an average turnaround time of 1.2 days per item (down from 4.2 days average per item).

* During this fiscal year, a License Enforcement Unit was formed which in the last quarter performed more than 25,000 reviews which identified 715 unlicensed operators and produced $235,000 in delinquent tax revenues.

* The final highlight of this section was the initiation of a Zero Filer Program, cancelling inactive licenses. Over 6,700 licenses were cancelled and $60,000 in income was received as some taxpayers revised zero filings when faced with loss of their license.

Records Management

* Revisions in microfilm processing resulted in film being distributed to users earlier than ever before. Calendar year 1987 processing was completed in September, two months earlier than in previous years. The quality of filming improved to the extent that refilming was necessary for only 1/10 of the volume of previous years.

Econometrics

* Completed a revision of the individual income tax sample to include all items on state and federal returns. This upgraded model allowed the unit to accurately predict the effect of changes in both federal and state taxes on tax revenues.

* This unit was the first to predict the revenue shortfall for the fiscal year and its estimates accurately depicted the shift in sales and income tax receipts.

Comptroller

* In addition to the assistance provided in the move to the new building, the Comptroller's Section implemented the following new programs:

  Establishment of an in-house, full service Purchasing Unit

  Initiation of a program in the Unclaimed Property Tax Unit which located 2,731 owners of property and returned $475,000 worth of stock to rightful owners

  Creation of a building manager position to coordinate all facilities related to maintenance and control

  Consolidation of all DOR contract monitoring under a central administrator in one unit

DATA MANAGEMENT DIVISION HIGHLIGHTS

The six sections of the Data Management Division work closely together to provide greater accuracy in the processing of tax documents. Providing quality document processing is important for three reasons: first to ensure that payments are properly credited; second, to maximize interest earnings; and finally, to refund overpayments promptly. The major highlights for this division include:

* The successful completion of another income tax season by the Tax Processing Administration Section (and the division as a whole). All targets and deadlines were met in spite of the turmoil of moving to a new building.

* A new Processing Manual describing 233 procedures to ensure consistent employee work efforts and improved training capabilities was developed by the Tax Processing Administration Section.

* The doubling of the department's computer capacity resulted from the combined efforts of the Data Processing Operations and Techniques sections. This was accomplished by replacing the IBM 3081-GX computer recently acquired from the Department of Administration (DOA) with the NAS 9080 computer acquired from the Department of Economic Security (DES). In conjunction with this, an offer was made available by IBM to "new" sites which allowed the division to realize a $120,000 savings in software license fees.

* The establishment and implementation of new computer links between other state agencies and the Department of Revenue for the exchange of information resulted from a combined effort of the Systems Engineering, Techniques and Data Processing Operations sections. DES established terminal links for retrieving data to aid in the administration of their Unemployment Insurance program. Maricopa County established terminal links for access to information in the Department of Revenue's new Construction Cost System for Property Valuation and Equalization Division.

* The successful installation of the newly acquired data base management system was accomplished by the coordinated efforts of the Systems and Programming, Systems Engineering, Data Processing Operations and Techniques sections. Pilot applications are under development and new division policies and procedures are being formulated to accommodate this endeavor. Long-term planning is underway to guide the department through a major conversion of its computer systems.

* The establishment and maintenance of the department's personal computer networks was the result of the combined efforts of the Information Center, Techniques and Data Processing Operations sections. The Information Center is developing standards and policies with regard to personal computer hardware and software, establishing software library facilities, and assisting in the training of users of personal computer products.

TAX ENFORCEMENT DIVISION HIGHLIGHTS

The Tax Enforcement Division was formed by merging the Tax Compliance Division and the Collections Division (Phoenix and Tucson offices). This reorganization streamlined operations and provided for more effective collection of the revenues due to the State.

Individual Income Tax Section

* Enhanced the Audit Select Program through the computerization of audit select information to provide the capability of producing a single assessment for the taxpayer. Previously, taxpayers could receive more than one assessment for the same tax year.

* Streamlined internal steps required to issue an audit which resulted in audits being issued more quickly. Also improved the tracking of payments/adjustments to audit receivables.

* Improved the Amended Return Program by developing guidelines to identify those returns with a high probability of containing errors which would require further review.

* Began development of a centralized computer audit system which allows direct auditor input and automated information access. This system is projected to be fully functional by January 1989.

Corporate Tax Section

* Developed a computer program diskette containing current audit reference materials for auditors to use when conducting field audits.

* Established four Revenue Enhancement field auditor positions.

* Implemented the use of portable computers for field auditors to input information relevant to the audit.

Sales and Use Tax Audit Section

* Established an Audit Select Program which provides for the review of prior audit assessments for current audit potential before expiration of the statute of limitations.

* Acquired portable computers for all field auditors.

* Reviewed and researched specific industry classifications in order to develop audit leads.

* Monitored Federal Contractor's Program and notified bidders of the importance of including state sales tax in their official bids. Also tracked those awarded federal contracts to ensure their proper compliance with state tax laws.

* Increased and enhanced audit training for both new and existing personnel.

* Established eleven Revenue Enhancement field auditor positions.

Collections Section

The Collections Section of the Tax Enforcement Division achieved several significant accomplishments during fiscal year 1987/88.

* Implemented the Automated Collection System (ACS) to merge accounts into a "central pool" from which all collectors can access accounts.

* Initiated the use of an automatic letter system to send out various forms of correspondence (i.e.: financial statements, part-pay agreements, etc.) which previously were issued manually.

* Designed and implemented sequential Notice of Delinquency letters which resulted in reduced sales and withholding tax delinquencies.

* Developed a new category on ACS to track non-sufficient fund (NSF) payments and expedite collections. Provisions were made for the charging of a fee on NSF payments.

* Revised extract reports which allow management to review statistics provided by the ACS system.

* Revised training for telephone collectors to provide higher efficiency levels during probationary periods.

* Placed new employees in critical and understaffed collection areas to meet legislative commitments.

* Developed a revised reporting format to track dollars collected.

* Prepared a request-for-proposal to enter into a contract for the collection of small dollar in-state accounts.

TAXPAYER SUPPORT AND EDUCATION SERVICES DIVISION HIGHLIGHTS

Taxpayer Information and Assistance

* Provided general taxpayer information on all tax types. Resolved taxpayer problems and billing disputes. Responded to more than 412,700 telephone and written taxpayer inquiries.

* Maintained an error rate on casework involving written correspondence of less than 1% for the more than 21,100 written inquiries processed.

Education and Training Section

* Provided 26,746 hours of training to 5,052 trainees.

* Assisted a task force in redesigning the audit processing system to make it more efficient and effective.

* Established "self teaching" programs for Phoenix and Tucson employees.

* Made significant progress in establishing comprehensive mandated training in key production areas.

* Established a mentoring program for employees.

Taxpayer Education Section

* Continued publication of the "Tax News" to keep subscribers aware of changes in tax laws, rulings and administration.

* Conducted tax seminars for professional and civic organizations and also for large and small businesses. Seminars were also given at the three state universities, one private college, community colleges and high schools.

* Produced all tax forms and publications.

* Conducted external training classes on "Tax Counseling for the Elderly" and Volunteer Income Tax Assistance (VITA).

Bingo

The Bingo Section monitored the activities of the 709 active bingo licensees in the state. In this role they accomplished the following:

* 204 compliance checks were conducted.
* 154 complaints were investigated.
* 71 new license applications were processed.
* 712 renewal license applications were processed.
* 48 licenses were canceled.
* $798,818 in revenues were collected.
* A quarterly newsletter to bingo licensees was provided.

PROPERTY VALUATION AND EQUALIZATION DIVISION HIGHLIGHTS

Administration Section

* Completed a new centralized resource library and filing system for the division.

* Implemented an Expert Witness Course to increase the effectiveness of personnel who testify before the County Board of Equalization, State Board of Tax Appeals and the Superior Court.

Centrally Valued Property Section

* Implemented a new report tracking system to verify that industries which are valued by the department file their annual property tax reports in a timely manner. This was initiated in response to a new law which allows the department to collect late filing penalties from the affected industries. Once a penalty is determined, the report is given to the Collections Administration Section for follow-up activity.

* Drafted new rules for the:

  - calculation of the Average State Tax Rate.

  - calculation of new construction amounts for levy limit purposes.

  - valuation of electric cooperative properties.

  - calculation of the Class 7 assessment ratio.

* Developed a new valuation model for water utility properties.

* Received favorable rulings in court cases concerning the constitutionality of a statutory formula for determining the full cash value of electric and gas utility companies.

* Revised and simplified reporting procedures, requirements and forms for electric cooperatives and water utilities to ensure that the department received all necessary information.

Locally Assessed Property Section

* Continued development of a new computerized construction cost system to be used in valuing improvements throughout Arizona. The system is being developed jointly by DOR and the county assessors and will take 4-5 years to fully implement.

* Assisted in the reappraisal of all commercial and industrial land in Pinal County and trained Pinal County Assessor staff in use of the New Construction Cost Manual.

* Assisted in the appraisal of all new construction in La Paz County and all existing commercial structures in Yavapai County for the 1988 tax roll. This effort resulted in a potential generation of $286,000 in total new tax revenues.

* Automated the processing of mobile home sales to facilitate the production of sales ratio reports distributed to the County Assessors.

* Established a committee of DOR and county assessor personnel to study ways to automate mapping procedures, enhance ad valorem tax map uniformity and increase the amount of information incorporated in the Arizona cadastral mapping system.

* Coordinated with the Arizona Department of Transportation to develop lists/criteria to use in determining when personal property items shall be licensed and when they shall be treated as taxable personal property.

Research and Equalization Section

* Implemented 1988 Equalization Orders to ensure that all property in the state is appraised for tax purposes at its full cash value.

* Reduced processing time of Affidavit of Real Property Value which is the department's main source of sales data for its sales ratio studies and mass appraisal programs.

* Developed administrative rules on sales ratio and equalization procedures.

* Emerged as a leader in the development of a new mass appraisal computer software for sales ratio and residential appraisal programs. Division employees presented papers on the DOR program at the Seminar on the Application of Generic Software to Computer Assisted Mass Appraisal co-sponsored by the International Association of Assessing Officers and the Lincoln Institute of Land Policy.

TRANSACTION PRIVILEGE TAX

MAJOR FEATURES

Arizona's Transaction Privilege (sales) tax is a tax on the privilege of transacting business in the state. The rate ranges from .46875 of 1% to 5%, depending on the type of business; with most sales taxed at a rate of 5%. The total sales tax rate consists of two parts; distribution base and nonshared. Distribution base is the portion of the tax which is shared with counties and municipalities. (Refer to Tables 4 and 7.)

Two additional taxes, usually considered to be sales taxes, are use tax and rental occupancy tax. Use tax is imposed at 5% on all purchases of tangible personal property for which sales tax was not paid. Arizona businesses using items from their inventory are also subject to use tax. Rental occupancy tax is levied at 3% on real property on a long-term lease entered into before December 1, 1967.

DISTRIBUTION

The distribution base portion of the sales tax is divided among municipalities (25%), counties (38.08%) and the State General Fund (36.92%). The non-shared portion of sales taxes are deposited in the State General Fund. (Refer to Tables 8-25.)

SEVERANCE TAX

Laws of 1982, Chapter 230, repealed the sales taxes on metalliferous metals and timber products and replaced both with severance taxes. (Refer to Table 5.)

The administration of the severance taxes is similar to that of the sales taxes which were repealed, using the same due dates, forms and rates which remained 2.5% on mining and 1.5% on timbering. However, the severance tax is charged at the time of production, rather than at the time of sale.

MUNICIPAL SALES TAX COLLECTION PROGRAM

The Arizona Department of Revenue is authorized to collect municipal sales tax for Arizona cities and towns. The service is provided at no charge to the cities. The department collects the local taxes and remits the amount collected to each city weekly. During 1987-88, 69 cities and towns participated in this program. (Refer to Tables 26 and 27.)

COUNTY TAXES (Refer to table 4.)

In October, 1985, Maricopa County residents voted to create a Maricopa County transportation excise tax which is computed at 10% of the transaction privilege tax rates, with certain exceptions: severance tax, agriculture equipment, rental occupancy tax, use tax and telecommunication services excise tax. The effective date of tax was January 12, 1986.

Pinal County residents voted in October, 1986, to create a Pinal County transportation excise tax which is computed at 10% of the transaction privilege tax rates. The Pinal County Transportation excise tax has the same exceptions as listed above for Maricopa County. The effective date was January 1, 1987.

The Pima County Board of Supervisors has been authorized by legislation to impose a county transaction privilege tax of up to 1% of gross income on sales by hotels and motels not taxed by the cities. The tax became effective January 1, 1987.

A mandatory sales tax for Yuma County began October 1, 1987, and expires after February 28, 1989. The sales tax rate for the county is equal to 10% of the state sales tax rate on selected transactions. The money collected from this county tax is used to repay a court judgment resulting from the division of Yuma County to create La Paz County. The remaining money will be used to repay the state for a 1986 loan. (Refer to tables 9-25.)

INCOME TAX

In the State of Arizona there are two categories of income tax: corporate, which is levied against entities doing business in Arizona, and individual, which is levied against those persons who earned income in Arizona. Employers are required to withhold a portion of employee wages for application toward their Arizona individual income tax liability. Arizona withholds wages at rates of 10%, 17%, 22% or 25% of federal withholding: the 22% and 25% are optional while the 17% is mandatory on wages of $15,000 or more, and 10% is required on wages less than $15,000. (Refer to Table 28.)

CORPORATE INCOME TAX - MAJOR FEATURE

Every corporation doing business in Arizona must file a state corporate income tax return. These corporations are required to file estimated tax payments throughout the year only if (1) their Arizona tax liability exceeds $1,000 and (2) they are required to file federal estimated tax payments. For their annual filing, corporations use federal taxable income as a starting point to compute Arizona taxable income. In computing Arizona taxable income, a corporation may deduct Federal and Arizona income taxes. Corporate income tax is levied on Arizona taxable income at rates graduated from 2.5% on income under $1,000 to 10.5% on income over $6,000 with a minimum $50 liability imposed for all corporations. (Refer to Table 28.)

INDIVIDUAL INCOME TAX - MAJOR FEATURES

There are approximately 1,254,000 individual filers reporting income totaling more than $33,377,000,000. Individuals are not required to file estimated tax payments, however, anyone can voluntarily make estimated payments. In addition, any portion of an individual's income tax refund can be applied to the next year's income taxes as an estimated payment.

For their annual filing, individuals use federal adjusted gross income as a starting point to compute Arizona taxable income. Individuals are allowed to deduct Federal and Arizona income taxes paid. Rates are graduated from a minimum of 2% on individual income of $1,183 (or joint income of $2,366) to a maximum of 8% on individual income over $7,098 (or joint income over $14,196). Individual tax brackets are indexed annually for inflation. Exemptions, deductions and credits to individual income tax are also indexed annually for inflation. (Refer to Table 29.)

The property tax credit is a refundable income tax credit granted to persons over 65 with incomes that do not exceed $3,751 (for persons living alone) or $5,501 (for persons living with a spouse or other person). The amount of property tax credit reduces as income increases from zero to the maximum limit. This credit cannot exceed the actual amount of property tax paid by the taxpayer. (Refer to Table 30.)

The maximum allowable renter's tax credit for a full-year renter was 5% of the total rent paid, not to exceed $100, for the 1987 tax year. The credit is beginning to phase down over a 4 year period and will be $85 for the 1988 tax year.

For the 1987 tax year, individuals were allowed a special subtraction in computing their Arizona adjusted gross income. Either 46% of federal income tax liability or $475 (whichever is larger) could be subtracted.

DISTRIBUTION

State income tax collections are shared with Arizona municipalities in an Urban Revenue Sharing program. Each year, 15% of net collections from two years prior is distributed to cities and towns. This distribution is based on population and is given only to incorporated cities and towns. The remainder is deposited to State General Fund after amounts sufficient to pay refunds are set aside. (Refer to Tables 28, 31 and 32)

Contributions indicated by the taxpayers for Child Abuse Prevention and Wildlife programs are distributed to the appropriate agency.

LUXURY TAX

Arizona's luxury tax, applies to tobacco product distributors and liquor wholesalers. During the 1987-88 fiscal year, $22,503,189 from luxury tax collections was deposited into the Corrections Fund, established by the Legislature in 1984. The remaining $70,802,973 was deposited into the State General Fund. (Refer to Table 33.)

The department is responsible for issuing tobacco licenses and collecting taxes on tobacco products and alcoholic beverages. In addition, the department, with the assistance of the Department of Public Safety, investigates and confiscates contraband alcoholic beverages and tobacco products.

The current luxury rates on cigarettes, tobacco products and liquor are:

Tobacco Products	Rate
Cigarettes	
package of 20 or fractional part	$ .15
Cigars	
small cigars weighing not more than 3 lbs/1,000 package of 20 or less	.04
selling for $.05 or less (each cigar)	.00666
selling for more than $.05 (each cigar)	.02
Smoking tobacco, snuff, fine cut, chewing, etc. (per ounce)	.02
Cavendish, plug or twist (per ounce)	.005
Alcoholic Beverages	
Spirituous Liquors per gallon	$3.00
Vinous Liquors - more than 24% alcohol per gallon	4.00
Vinous Liquors - less than 24% alcohol per gallon	.84
Malt Liquor (Beer)	
per gallon	.16
per barrel (31 gallons)	4.96

ESTATE TAX

The Arizona estate tax is a tax on the transfer of property or interest in property which takes effect upon the owner's death. The estate tax is imposed on the net taxable estate before distribution, differing from the inheritance tax which is imposed on the portion of the estate received by a beneficiary. Arizona does not impose inheritance or gift taxes. Estate taxes are deposited into the State General Fund.

The Estate Tax Office of the Arizona Department of Revenue is responsible for the collection of estate taxes and the processing of Estate Tax Returns for taxable estates and Reports of Personal Representative of Decedent for nontaxable estates. (Refer to Table 34.)

An estate is not taxable and no estate tax return is required to be filed if a federal estate tax return is not required. However, a Report of Personal Representative of Decedent must be filed in order to obtain waivers to be used in connection with probate proceedings, to terminate joint tenancy on real property and/or to transfer stock held by resident decedents in companies incorporated in Arizona.

The Arizona estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes. If the decedent owned realty or tangible personal property having situs in another state, the Arizona tax is reduced by either the amount of death tax paid to the other state or a prorated share of the federal credit, whichever is less.

The Arizona estate tax for a nonresident decedent is a prorated share of the federal credit, based on the value of real property and tangible personal property having actual situs in Arizona.

UNCLAIMED PROPERTY

Responsibilities of the Unclaimed Property Processing Unit include the collection, safekeeping and disposition of unclaimed property, escheated estates, and unclaimed shares and dividends of Arizona corporations.

The Unclaimed Property Unit establishes and maintains records of funds and other personal property received from banking or financial organizations, insurance corporations, utilities, business associations, fiduciaries, state courts, and public officers and agencies which are presumed to be abandoned. The largest percentage of unclaimed property is comprised of:

- Bank or credit union accounts with no activity for seven years
- Utility deposits not claimed in two years
- Contents of safe deposit boxes on which rent has not been paid for one year
- Travelers checks not cashed in fifteen years

Cash is deposited in the State General Fund when received; personal property other than cash is sold at public auction with the proceeds deposited into the State General Fund. Unclaimed property may be recovered by an owner at any time with proper documentation.

The Unclaimed Property Unit establishes and maintains records of escheated estates and unclaimed shares and dividends. When a person dies without leaving a will and has no known heirs, or if a person dies and a known heir cannot be located, his or her property reverts to the state as the original and ultimate proprietor. (Refer to Table 34.)

Funds received from escheated estates and from unclaimed shares and dividends are deposited into the Permanent School Fund. (Refer to Table 35.)

Early in 1986, Arizona joined the Unclaimed Property Clearinghouse, a consortium of states supporting specialized audits of financial institutions which hold large numbers of unclaimed securities or other assets. This program has helped generate a substantial growth in the funds to the program.

BINGO

The bingo tax is calculated on a three-tiered structure based upon the licensee's annual gross receipts. In addition, the tax rate for bingo games whose gross receipts do not exceed $15,000 annually is 2.5 percent. For those whose gross receipts do not exceed $300,000 annually it is 1.5 percent, and for those organizations whose gross receipts do exceed $300,000, it is 2.0 percent.

All taxes are paid to the department which in turn, deposits them in the state general fund. A 1.0 percent in-lieu tax dedicated to administrative costs is moved to the general fund. (Refer to Table 36).

PROPERTY TAX

TAX BASE

In Arizona, the property tax is an ad valorem tax, a tax on the value of property. For tax purposes, all properties in Arizona carry two values: limited value and full cash value. Taxes based on the limited value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. (Refer to Table 37.) This value is limited to the larger of 10% growth per year or 25% of the difference between the prior year's limited value and the new full cash value. The full cash value is unlimited and floats with the market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special district levies. (Refer to Table 38.) Each table shows the tax levy by county throughout the state. Over 60% of the total primary tax levy was levied directly for educational purposes. In addition, as indicated by Table 38, approximately 50% of secondary tax levies were also levied for educational purposes.

All taxable property in Arizona is classified according to its current use. Each class has a different assessment ratio which is the percentage of the value used as a tax base. The assessment ratios are prescribed by law and those in effect in 1988 are shown below.

Classification	Ratio
1. Producing mines, standing timber	30%
2. Telecommunication property, gas, electric and water utilities, pipelines	30%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	16%
5. Owner-occupied residential property	10%
6. Rental residential property	15%
7. Railroad and private rail car property airline flight property	26%
8. Historic property	5%
Also:	
Producing oil and gas interests	100%

Class 1, 2, and 6 assessment ratios have been frozen by recent legislation at 1987 levels for the 1988 and 1989 tax years. For tax year 1990 and thereafter ratios for Class 1 and Class 2 will be reduced to and remain at 25% of full cash value. Class 6 assessment ratio will be reduced to 12% in 1990, with additional reductions of 1% per year thereafter until 1992 when the Class 6 ratio will remain at 10%.

GENERAL PROPERTY TAX ADMINISTRATION

Duties of property appraisal are divided between the department and the fifteen counties. The department appraises utilities, airlines, railroads, mines and other complex or geographically dispersed properties. (Refer to Graph 39 and Table 40.) Values determined by the department for those properties are transmitted to the County Boards of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County Assessors, utilizing standards and manuals established by the department, are responsible for appraisal of other classes of property, including residential, commercial, industrial and agricultural properties. (Refer to Table 41 and Graph 42.)

Appeals of valuation or classification for locally assessed properties originate with the property owner's petition for review filed with the County Assessor. Such appeals may be continued to the County Board of Equalization and to the State Board of Tax Appeals. Appeals may be carried on to the Superior Court or filed directly with that court if the prior steps are omitted.

For properties valued by the department, valuation or classification appeals may be filed with the department, the State Board of Tax Appeals and in Superior Court.

TAX COLLECTION AND DISTRIBUTION

Other than the two exceptions noted below, County Treasurers collect all property taxes and distribute receipts to all taxing entities. The state property tax collected by the counties is deposited in the State General Fund.

Taxes levied on airline flight properties and private rail car properties are collected by the department and deposited with the State Treasurer. Tax on airline flight properties and private car companies is levied at the average state tax rate. (See Table 40 and 43.)

The average state tax rate is the rate which is derived from dividing the total of all of the levies in the state by the total net assessed value in the state. This calculation produces the weighted average of all of the levies in the state and is applied to airline flight properties and private rail cars.

EQUALIZATION

Recent legislation gave the department the authority to issue biennial equalization orders to ensure that all property in the state is appraised for tax purposes at its full cash value. This equalization process took effect with the 1988 tax year.

The department's primary tool in evaluating appraisal performance is its sales ratio study, which compares appraised values with sales prices of recently sold properties. These studies are performed several times each year by county, type of property and area. Table 44 and Graph 45 show statewide median sales ratios and coefficients of dispersion for the tax years 1980 through 1988. Sales ratios are formed by dividing appraised values by sales prices of recently sold properties. The median sales ratio is the middle sales ratio when the ratios are arrayed in order of magnitude; hence, there are an equal number of properties above and below the median. Median ratios near 100 percent indicate that the property is appraised at close to market value. For the 1988 tax year, the department's full cash value standard called for median sales ratios of approximately 80% after allowances for the inclusion of personal property in sales prices, "creative" financing, and other considerations.

Coefficients of dispersion are measures of the uniformity or consistency of sales ratios (i.e., the average percentage deviation from the median). Lower coefficients of dispersion indicate greater equity in property appraisals.

PROPERTIES APPRAISED BY THE DEPARTMENT

The Centrally Valued Properties Section of the Division of Property Valuation and Equalization is responsible for the annual valuation of eleven industries for ad valorem property tax purposes. (See chart on following page.)

Except for private rail cars, the values are established for these industries by the first Monday in June each year. (Private rail car values are established by October 15th each year.) Any taxpayer dissatisfied with the value determined by the department may appeal to the Board of Tax Appeals, Division One. The Board of Tax Appeals conducts hearings with centrally valued taxpayers during July and must render its final decisions by July 25th.

The number of properties included in each of the industries valued by the department is as follows:

Industry	Number of Properties			
	1985	1986	1987	1988
Railroads	7	7	8	6
Telecommunications	18	24	22	21
Gas Transmission (Pipelines)	8	9	9	9
Electric & Gas Utilities	24	27	25	25
Electric Cooperatives	12	12	12	12
Municipal Utility (Salt River Project)	1	1	1	1
Water Utilities	374	375	378	400
Airlines (Aircraft)	28	29	32	35
Private Rail Cars	220	267	270	275
Mines (Producing)	57	53	46	39
Mines (Non-Producing)	10	8	11	9
Producing Oil & Gas Interests	5	5	4	3
Total	764	831	834	835

TABLE 1
REVENUE SUMMARY
GROSS REVENUE COLLECTED

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88
SALES AND USE TAX (1)					
Distribution Base	$ 412,072,737	$ 464,532,524	$ 490,395,472	$ 519,015,701	$ 547,506,889
Nonshared Portion	689,750,894	844,944,102	909,602,932	958,559,275	988,466,081
Use Tax	41,615,494	54,846,386	59,415,099	52,549,878	61,797,123
Subtotal	$ 1,143,439,125	$ 1,364,323,012	$ 1,459,413,503	$ 1,530,124,854	$ 1,597,770,093
INCOME TAX					
Withholding	418,869,050	520,151,450	576,701,782	599,660,202	698,699,875
Individual	231,658,295	254,354,660	275,161,560	333,498,960	345,881,711
Corporation	207,341,166	215,436,786	213,236,463	249,213,473	229,759,928
Subtotal	$ 857,868,511	$ 989,942,896	$ 1,065,099,805	$ 1,182,372,635	$ 1,274,341,514
LUXURY TAX					
Spirituous Liquor	14,600,111	17,049,450	18,034,731	17,059,104	17,287,330
Vinous Liquor	3,663,608	6,785,029	7,563,260	7,832,584	7,907,950
Malt Liquor	7,235,455	14,102,897	15,250,805	15,927,165	15,705,711
Tobacco - All Types	41,473,630	51,386,983	51,419,032	51,781,811	53,028,844
Licensing	1,475	1,575	1,575	1,600	1,600
Subtotal	$ 66,974,279	$ 89,325,934	$ 92,269,403	$ 92,602,264	$ 93,931,435
ESTATE TAX					
Estate	12,978,900	15,302,387	13,528,098	26,389,374	32,276,168
Unclaimed Property	1,271,125	1,864,695	2,531,318	4,824,885	4,281,091
Escheated Estate and Unclaimed Dividends	303,102	169,676	123,259	202,756	141,577
Subtotal	$ 14,553,127	$ 17,336,758	$ 16,182,675	$ 31,417,015	$ 36,698,836
Bingo	415,224	412,285	600,158	730,593	798,818
Flight Property Tax	2,782,822	2,679,799	3,568,308	5,630,177	6,859,428
Private Car Tax	626,198	750,036	951,942	654,627	541,639
Nuclear Plan Assessment	573,751	410,515	412,015 (4)	483,700	601,100
DEPARTMENT TOTAL	$ 2,087,233,037	$ 2,465,181,235	$ 2,638,497,809	$ 2,844,015,865	$ 3,011,542,863
State Property Tax (2)	80,218,027	54,989,232	55,750,910	59,285,256	67,389,020
TOTAL (3)	$ 2,167,451,064	$ 2,520,170,467	$ 2,694,248,719	$ 2,903,301,121	$ 3,078,931,883

(1) Prior to FY 85-86, sales and use tax includes refunds and charge-offs.
(2) Deposited in the general fund by counties
(3) All revenues including those which are eventually refunded or distriubted to local government; does not include municipal sales tax
(4) Received in July '86 for FY 85-86

TABLE 2

NET REVENUE TO STATE GENERAL FUND

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88
Sales, Use and Severance Tax	$ 854,409,463	$ 1,070,242,440	$ 1,150,175,481	$ 1,199,589,750	$ 1,252,402,747
Income Tax	633,247,539	730,874,978	771,448,590	835,501,060	873,497,071
Luxury Tax	66,974,279	68,534,883	69,470,809	69,568,718	70,804,571
Estate Tax/Unclaimed Property	16,568,050	16,384,988	15,442,463	30,220,650	34,778,286
Bingo	415,224	412,285 (1)	600,158	730,593	414,572
Flight Property Tax	2,782,822	2,679,799	3,568,308	4,795,803	3,552,876
Private Car Tax	626,198	750,036	951,942	654,627	541,639
Nuclear Plan Assessment	573,751	410,515	412,015 (2)	483,700	601,100 (3)
Department Total	$ 1,575,597,326	$ 1,890,289,924	$ 2,012,069,766	$ 2,141,544,901	$ 2,236,592,862
State Property Tax (4)	80,218,027	54,989,232	55,750,910	59,285,256	67,389,020
TOTAL	$ 1,655,815,353	$ 1,945,279,156	$ 2,067,820,676	$ 2,200,830,157	$ 2,303,981,882

(1) Prior to FY 85-86, all Bingo collections went to the General Fund.

(2) Received in July '86 for FY 85-86.

(3) This deposit did not appear in the general fund until FY 88/89.

(4) Deposited in the State General Fund by counties.

TABLE 3

GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX

1986-87 AND 1987-88

	1986-87 (1)	1987-88	% CHANGE
Audit Collections			
Assessment Collections (Gross)	$42,552,011	$55,149,323	29.60%
Refund Denials	$6,229,131	$1,670,325	-73.19%
Miscellaneous Taxes (net of credit)	$2,945,636	$4,127,065	40.11%
TOTAL AUDIT UNIT COLLECTIONS	$51,726,778	$60,946,713	17.82%
TOTAL BILLINGS	$60,352,004	$80,895,094	34.04%
TOTAL DELINQUENT TAX COLLECTIONS	$72,543,681	$72,653,361	0.15%
TOTAL UNADJUSTED ENFORCEMENT COLLECTIONS	$184,622,463	$214,495,168	16.18%
ADJUSTMENTS Duplication, Credit Audits and Other Adjustments as reported (2)	($49,142,536)	($58,322,519)	18.68%
TOTAL ADJUSTED ENFORCEMENT COLLECTIONS (3)	$135,479,927	$156,172,649	15.27%

(1) The 1986-87 figures have been adjusted to create a consistent reporting methodology with 1987-88 by: placing audit payments made under protest from "other adjustments" to audit collections; placing miscellaneous non-audit use tax collections from audit collections to "miscellaneous taxes" (previously reported as "estate, luxury and unclaimed property"); reporting "miscellaneous taxes" net of credit assessments rather than gross; and, reallocating collections between billings and delinquent collections through statistics developed from the new automated system. Also, billings were corrected to properly reflect the difference between total payments made through the accounts receivable system and those collected through "delinquent tax collections" by collector personnel.

(2) Collections are adjusted to account for audit transactions where joint efforts by audit and collections were responsible for the actual collection and both sections recorded the transaction in their separate tracking systems. In addition, audits resulting in credit adjustments are subtracted to produce an actual figure representing the net gain to the state from Enforcement Division efforts. A significant adjustment was made to previously reported 1986-87 figures to correct the amount of duplications between the two areas. Previously adjustments were made for only the portion of audit collections collected by collections personnel. Further research has developed new reports in 1987-88 that disclosed all audit payments were duplicated in the delinquent tax collections or billing amounts.

(3) Actual amounts resulting from the Department's enforcement effort.

TABLE 4
GROSS SALES, USE AND SEVERANCE TAX COLLECTIONS

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88
Distribution Base	$ 412,072,734	$ 464,532,524	$ 490,395,472	$ 519,015,701	$ 547,506,889
Nonshared	689,750,894	844,944,102	909,602,932	958,559,275	988,466,081
Use Tax	41,615,494	54,846,386	59,415,099	52,549,878	61,797,123
SUBTOTAL	$ 1,143,439,125	$ 1,364,323,012	$ 1,459,413,503	$ 1,530,124,854	$ 1,597,770,093
911 Excise Tax	-----	1,178,370	1,282,523	1,878,873	3,558,566
Telecommunications Devices	-----	-----	456,638	538,744	564,095
Less Collection Fees		(171,270)	(-35,667)	(133,834)	(33,485)
GROSS STATE COLLECTIONS	$ 1,143,439,125	$ 1,365,330,112	$ 1,461,188,331	$ 1,532,408,637	$ 1,601,859,269
City Sales Tax	39,237,842	45,595,426	51,527,477	56,602,528	63,372,873
Pima County Hotel Tax	-----	-----	-----	349,599	626,786
Maricopa County Road Tax	-----	-----	37,005,284	94,830,790	99,190,010
Pinal County Road Tax	-----	-----	-----	1,144,080	2,854,839
Yuma County Road Tax	-----	-----	-----	-----	2,403,620
TOTAL DEPARTMENT OF REVENUE RECEIPTS	$ 1,182,676,967	$ 1,410,925,538	$ 1,549,721,092	$ 1,685,335,634	$ 1,767,903,777

TABLE 5
SALES AND SEVERANCE TAX RATES
1987-88

TAXABLE ACTIVITIES		DISTRIBUTION BASE	NONSHARED	TOTAL TAX
1.	Transporting and Towing	1%	4%	5%
2.	Nonmetalliferous Mining, Oil and Gas Production	1%	2.125%	3.125%
4.	Utilities	1%	4%	5%
5.	Communications	1%	4%	5%
6.	Railroads and Aircraft	1%	4%	5%
7/8.	Private Car/Pipelines	1%	4%	5%
9.	Publishing	1%	4%	5%
10.	Printing	1%	4%	5%
11.	Restaurants and Bars	2%	3%	5%
12.	Amusements	2%	3%	5%
13.	Real Property Rentals	2%	1.75%	3.75%
14.	Personal Property Rentals	2%	3%	5%
15.	Contracting (Mtrl. only)	1%	4%	5%
16.	Feed Wholesale	0.25%	0.21875%	0.46875%
17.	Retail	2%	3%	5%
19.	Mining Severance	2%	0.5%	2.5%
20.	Timbering Severance	1.2%	0.3%	1.5%
24.	Prime Contracts entered into prior to May 1983	1%	3%	4%
25.	Hotel/Motel Tax	2%	2%	4%
26.	Prime Contracts entered into prior to July 1974	1%	2.75%	3.75%
27.	Agricultural Equipment and Machinery	0%	1%	1%
28.	Rental Occupancy Tax	2%	1%	3%
29/30.	Use and Use Inventory Tax	0%	5%	5%
34.	Prime Contracts entered into prior to October 1985	1%	4%	5%
35.	Prime Contracts entered into prior to November 1986	1%	4%	5%

TABLE 6

NET TAXABLE SALES

BY SALES TAX CLASSIFICATIONS

CLASSIFICATION	1983-84	% OF TOTAL	1984-85	% OF TOTAL	1985-86	% OF TOTAL	1986-87	% OF TOTAL	1987-88	% OF TOTAL
Transportation and Towing	$ 24,929,381	0.10	$ 39,537,070	0.14	$ 20,081,552	0.07	$ 14,922,455	0.05	$ 20,463,769	0.0
Mining, Oil and Gas	125,398,832	0.51	97,160,930	0.35	51,905,715	0.18	148,913,432	0.49	126,829,396	0.4
Mining Severance (1)	817,838,586	3.31	673,405,105	2.46	564,725,067	1.94	479,166,973	1.57	770,738,944	2.4
Mining Inventory (1)	171,921,855	0.70	5,556,618	0.02	-----	----	-----	----	---	
Timbering (1)	16,412,829	0.07	40,585	0.00 (4)	-----	----	6,322	0.00 (4)	---	
Timbering Severance (1)	14,208,996	0.06	21,991,064	0.08	25,199,054	0.09	32,029,321	0.10	37,165,049	0.1
Utilities	2,425,813,700	9.83	2,769,070,659	10.11	2,923,250,155	10.03	2,895,843,655	9.47	3,149,235,562	9.8
Communications	549,061,992	2.22	564,670,401	2.06	608,624,412	2.09	743,710,309	2.43	722,787,773	2.2
Railroads and Aircraft	59,237,824	0.24	25,865,600	0.10	32,087,646	0.11	27,433,757	0.09	23,272,411	0.0
Private Car and Pipelines	1,060,174	0.00 (4)	4,891,295	0.02	2,098,655	0.01	1,703,345	0.01	2,472,598	0.0
Publishing	75,924,109	0.31	70,517,036	0.26	58,505,068	0.20	56,990,286	0.19	18,412,858	0.0
Job Printing	224,519,057	0.91	227,963,894	0.83	359,412,160	1.23	294,494,396	0.96	311,119,479	0.9
Local Advertising (2)	398,976,791	1.62	521,300,738	1.90	386,559,578	1.33	2,019,771	0.01	1,209,023	0.0
Restaurants and Bars	1,780,585,679	7.21	2,089,040,364	7.63	2,288,763,194	7.86	2,495,947,895	8.16	2,642,915,603	8.2
Amusements	215,958,607	0.87	228,011,817	0.83	208,425,050	0.72	256,567,864	0.84	281,444,023	0.8
Real Property Rentals	1,394,324,799	5.65	1,197,994,864	4.38	1,216,090,543	4.17	1,424,142,351	4.65	1,567,435,284	4.9
Personal Property Rentals	886,647,981	3.59	1,282,648,972	4.68	1,142,010,149	3.92	1,167,714,064	3.82	1,280,376,048	4.0
Contracting	3,156,115,311	12.79	3,670,815,088	13.41	4,216,936,438	14.47	4,652,177,267	15.21	4,250,110,470	13.3
Wholesale Feed	276,057,244	1.12	250,844,516	0.92	201,744,264	0.69	186,810,139	0.61	211,794,077	0.6
Retail	12,068,047,291	48.89	13,257,124,775	48.41	14,266,722,878	48.96	15,029,620,336	49.15	15,754,847,677	49.3
Hotel/Motel	274,847	0.00	387,005,772	1.41	530,216,128	1.82	631,782,728	2.07	711,777,198	2.2
Agricultural Equipment (3)	-----		-----		33,490,097	0.11	37,286,366	0.12	46,395,579	0.1
TOTAL	$24,683,315,885	100.00	$27,385,457,163	100.00	$29,136,847,803 (5)	100.00	$30,579,283,032	100.00	$31,930,802,821	100.0

(1) Sales tax on timbering and metalliferous mining replaced by severance tax on January 1, 1983 (see Severance Tax Section).

(2) Local advertising designated a separate class on January 1, 1983. Phased out on January 1, 1986.

(3) Agricultural equipment designated a separate class on April 18, 1985 when tax rate dropped from 5% to 3%.

(4) Percent of total is less than 0.01%.

(5) Net taxable sales are based on sales tax receipts net of the accounting allowance to the business firms. Effective July, 1985.

TABLE 7

SALES TAX COLLECTIONS BY CLASS

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL SALES TAX COLLECTIONS
Transporting and Towing	204,638	818,496	1,023,134
Nonmetal Mining, Oil and Gas	1,268,293	2,694,750	3,963,043
Mining Severance	15,439,211	3,829,262	19,268,473
Timbering Severance	446,078	111,398	557,476
Utilities	31,492,358	125,970,866	157,463,224
Communications	7,227,879	28,911,509	36,139,388
Railroads and Aircraft	232,724	930,832	1,163,556
Private Car and Pipelines	24,727	98,908	123,635
Publishing	184,130	736,427	920,557
Printing	3,111,204	12,439,367	15,550,571
Local Advertising	12,090	6,087	18,177
Restaurants and Bars	52,858,287	79,245,091	132,103,378
Amusements	5,628,878	8,442,949	14,071,827
Rentals of Real Property	31,346,780	27,423,996	58,770,776
Rentals of Personal Property	25,607,507	38,408,069	64,015,576
Contracting	42,501,214	170,182,828	212,684,042
Wholesale Feed	529,734	462,944	992,678
Retail	315,096,800	472,590,542	787,687,342
Hotel/Motel	14,235,577	14,235,511	28,471,088
Agricultural Equipment	0	517,384	517,384
Rental Occupancy Tax	58,778	29,385	88,163
Use Tax		61,797,123	61,797,123
License Fees		379,479	379,479
TOTAL	$547,506,889	$1,050,263,203	$1,597,770,093

Figures may not add to total due to rounding.

TABLE 8
DISTRIBUTION OF SALES TAX COLLECTIONS
1987-88

Net to State General Fund	$1,249,832,747
Net to Cities	$136,876,722
Net to Counties	$208,490,623
Disease Control	$2,570,000
911 Excise, Telecommunications Devices	$4,122,661
TOTAL GROSS COLLECTIONS	$1,601,892,754

TABLE 9
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN APACHE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$10,894,175	1 %	$108,942
11. Restaurants and Bars	$5,632,758	2 %	$112,655
12. Amusements	$315,748	2 %	$6,315
13. Rentals of Real Property	$2,281,566	2 %	$45,629
14. Rentals of Personal Property	$1,773,635	2 %	$35,472
15. Contracting	$35,698,704	1 %	$356,987
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$81,427,355	2 %	$1,628,547
25. Hotel/Motel	$2,381,239	2 %	$47,625
Other Taxable Activities	$103,984,933		$183,806
TOTAL	$244,390,113		$2,525,978

Figures may not add to total due to rounding.

TABLE 10

DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN COCHISE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$84,018,501	1 %	$840,185
5. Communications	$11,892,335	1 %	$118,923
9. Publishing	$288,004	1 %	$2,880
10. Printing	$1,265,541	1 %	$12,655
11. Restaurants and Bars	$39,114,022	2 %	$782,280
12. Amusements	$2,271,917	2 %	$45,438
13. Rentals of Real Property	$13,675,504	2 %	$273,493
14. Rentals of Personal Property	$11,063,309	2 %	$221,266
15. Contracting	$52,495,812	1 %	$524,958
24. Pre 5/83 Contracting	$21,422		$214
26. Pre 7/74 Contracting			
17. Retail	$257,875,350	2 %	$5,157,507
25. Hotel/Motel	$9,824,421	2 %	$196,490
Other Taxable Activities	$19,043,551		$117,102
TOTAL	$502,849,688		$8,293,393

Figures may not add to total due to rounding.

TABLE 11
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN COCONINO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$70,820,098	1 %	$708,201
5. Communications	$17,907,138	1 %	$179,071
9. Publishing	$1,222,212	1 %	$12,222
10. Printing	$2,329,981	1 %	$23,300
11. Restaurants and Bars	$111,420,446	2 %	$2,228,409
12. Amusements	$23,357,972	2 %	$467,159
13. Rentals of Real Property	$34,589,011	2 %	$691,738
14. Rentals of Personal Property	$25,155,524	2 %	$503,111
15. Contracting	$98,439,561	1 %	$984,396
24. Pre 5/83 Contracting	$178,380		$1,784
26. Pre 7/74 Contracting			
17. Retail	$390,256,746	2 %	$7,805,135
25. Hotel/Motel	$73,168,718	2 %	$1,463,378
Other Taxable Activities	$40,384,970		$308,466
TOTAL	$889,230,757		$15,376,368

Figures may not add to total due to rounding.

TABLE 12
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN GILA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$66,751,166	1 %	$667,512
5. Communications	$4,720,614	1 %	$47,206
9. Publishing	$433,809	1 %	$4,338
10. Printing	$435,264	1 %	$4,353
11. Restaurants and Bars	$24,311,487	2 %	$486,230
12. Amusements	$1,168,375	2 %	$23,368
13. Rentals of Real Property	$4,374,404	2 %	$87,483
14. Rentals of Personal Property	$5,361,037	2 %	$107,220
15. Contracting	$32,709,913	1 %	$327,099
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$101,800,141	2 %	$2,036,003
25. Hotel/Motel	$4,645,926	2 %	$92,919
Other Taxable Activities	$149,331,838		$2,885,935
TOTAL	$396,043,973		$6,769,665

Figures may not add to total due to rounding.

TABLE 13
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN GRAHAM COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
5. Communications	$2,531,393	1 %	$25,314
9. Publishing	$180,661	1 %	$1,807
10. Printing	$414,434	1 %	$4,144
11. Restaurants and Bars	$8,542,292	2 %	$170,846
12. Amusements	$496,710	2 %	$9,934
13. Rentals of Real Property	$2,444,367	2 %	$48,884
14. Rentals of Personal Property	$2,585,785	2 %	$51,716
15. Contracting	$13,016,738	1 %	$130,167
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$63,753,839	2 %	$1,275,077
25. Hotel/Motel	$1,344,504	2 %	$26,890
Other Taxable Activities	$16,981,039		$141,340
TOTAL	$112,291,761		$1,886,119

Figures may not add to total due to rounding.

TABLE 14
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN GREENLEE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE - RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
11. Restaurants and Bars	$2,767,904	2 %	$55,358
13. Rentals of Real Property	$380,766	2 %	$7,615
14. Rentals of Personal Property	$1,077,873	2 %	$21,558
15. Contracting	$16,153,346	1 %	$161,534
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$30,905,225	2 %	$618,104
Other Taxable Activities	$253,219,047		$4,667,159
TOTAL	$304,504,161		$5,531,327

Figures may not add to total due to rounding.

TABLE 15
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN LA PAZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
11. Restaurants and Bars	$12,967,809	2 %	$259,356
12. Amusements	$116,116	2 %	$2,322
13. Rentals of Real Property	$2,799,959	2 %	$55,996
14. Rentals of Personal Property	$2,310,724	2 %	$46,214
15. Contracting	$14,971,403	1 %	$149,714
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$48,211,000	2 %	$964,220
25. Hotel/Motel	$1,366,507	2 %	$27,330
Other Taxable Activities	$28,580,681		$284,381
TOTAL	$111,324,199		$1,789,534

Figures may not add to total due to rounding.

TABLE 16
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN MARICOPA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$1,915,955,038	1 %	$19,159,552
5. Communications	$469,062,234	1 %	$4,690,624
9. Publishing	$989,037	1 %	$9,891
10. Printing	$249,002,700	1 %	$2,490,037
11. Restaurants and Bars	$1,681,453,634	2 %	$33,629,051
12. Amusements	$188,880,909	2 %	$3,777,616
13. Rentals of Real Property	$1,172,435,883	2 %	$23,447,273
14. Rentals of Personal Property	$949,096,408	2 %	$18,981,916
15. Contracting	$2,847,885,012	1 %	$28,478,908
24. Pre 5/83 Contracting	$1,508,766		$15,088
26. Pre 7/74 Contracting	$3,494,348		$34,990
34. Pre 10/85 Contracting	$27,475,656		$274,757
17. Retail	$10,324,218,165	2 %	$206,484,228
25. Hotel/Motel	$404,254,427	2 %	$8,085,100
Other Taxable Activities	$1,564,464,891		($605,945)
TOTAL	$21,800,177,106		$348,953,086

Figures may not add to total due to rounding.

TABLE 17
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN MOHAVE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$74,493,488	1 %	$744,935
5. Communications	$15,636,032	1 %	$156,360
9. Publishing	$816,460	1 %	$8,165
10. Printing	$2,102,338	1 %	$21,023
11. Restaurants and Bars	$58,078,551	2 %	$1,161,571
12. Amusements	$3,327,942	2 %	$66,559
13. Rentals of Real Property	$17,748,845	2 %	$354,955
14. Rentals of Personal Property	$15,593,694	2 %	$311,873
15. Contracting	$72,863,418	1 %	$728,634
24. Pre 5/83 Contracting	$7,783		$78
26. Pre 7/74 Contracting			
17. Retail	$292,175,831	2 %	$5,843,517
25. Hotel/Motel	$27,944,551	2 %	$558,893
Other Taxable Activities	$40,289,146		$236,563
TOTAL	$621,078,078		$10,193,126

Figures may not add to total due to rounding.

TABLE 18

DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN NAVAJO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$37,744,100	1 %	$377,441
5. Communications	$13,861,344	1 %	$138,613
9. Publishing	$587,365	1 %	$5,874
10. Printing	$956,027	1 %	$9,560
11. Restaurants and Bars	$29,571,592	2 %	$591,432
12. Amusements	$1,732,641	2 %	$34,653
13. Rentals of Real Property	$7,297,577	2 %	$145,943
14. Rentals of Personal Property	$5,513,679	2 %	$110,274
15. Contracting	$33,449,655	1 %	$334,497
24. Pre 5/83 Contracting	$2,598		$26
26. Pre 7/74 Contracting			
17. Retail	$309,403,480	2 %	$6,188,069
25. Hotel/Motel	$12,382,017	2 %	$247,643
Other Taxable Activities	$109,582,853		$969,525
TOTAL	$562,084,927		$9,153,549

Figures may not add to total due to rounding.

TABLE 19

DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN PIMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$521,761,457	1 %	$5,217,615
5. Communications	$130,584,325	1 %	$1,305,843
9. Publishing	$10,128,294	1 %	$101,283
10. Printing	$44,758,962	1 %	$447,589
11. Restaurants and Bars	$485,465,685	2 %	$9,709,313
12. Amusements	$47,519,231	2 %	$950,384
13. Rentals of Real Property	$251,231,275	2 %	$5,024,320
14. Rentals of Personal Property	$214,807,194	2 %	$4,296,143
15. Contracting	$688,661,370	1 %	$6,886,614
24. Pre 5/83 Contracting	$70,887		$709
26. Pre 7/74 Contracting			
17. Retail	$2,775,660,076	2 %	$55,513,199
25. Hotel/Motel	$133,748,084	2 %	$2,674,967
Other Taxable Activities	$298,256,351		$2,774,321
TOTAL	$5,602,653,190		$94,902,301

Figures may not add to total due to rounding.

TABLE 20
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN PINAL COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$115,351,758	1 %	$1,153,518
5. Communications	$13,483,053	1 %	$134,831
9. Publishing	$969,670	1 %	$9,697
10. Printing	$4,839,269	1 %	$48,393
11. Restaurants and Bars	$47,538,824	2 %	$950,775
12. Amusements	$4,552,172	2 %	$91,043
13. Rentals of Real Property	$12,806,437	2 %	$256,113
14. Rentals of Personal Property	$10,335,633	2 %	$206,712
15. Contracting	$93,134,229	1 %	$931,344
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
35. Pre 11/86 Contracting	$15,259,049		$152,591
17. Retail	$258,034,702	2 %	$5,160,687
25. Hotel/Motel	$7,048,225	2 %	$140,966
Other Taxable Activities	$286,128,988		$3,992,283
TOTAL	$869,482,011		$13,228,953

Figures may not add to total due to rounding.

TABLE 21
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$18,189,095	1 %	$181,891
5. Communications	$4,457,125	1 %	$44,571
9. Publishing	($33,858)	1 %	($339)
10. Printing	$342,961	1 %	$3,430
11. Restaurants and Bars	$16,388,154	2 %	$327,763
12. Amusements	$982,116	2 %	$19,642
13. Rentals of Real Property	$8,661,076	2 %	$173,211
14. Rentals of Personal Property	$4,021,537	2 %	$80,431
15. Contracting	$17,270,945	1 %	$172,709
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$114,612,384	2 %	$2,292,247
25. Hotel/Motel	$4,966,860	2 %	$99,338
Other Taxable Activities	$24,719,488		$6,141
TOTAL	$214,577,882		$3,401,036

Figures may not add to total due to rounding.

TABLE 22
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$91,588,547	1 %	$915,885
5. Communications	$14,165,453	1 %	$141,655
9. Publishing	$1,321,737	1 %	$13,217
10. Printing	$2,274,412	1 %	$22,744
11. Restaurants and Bars	$62,182,612	2 %	$1,243,652
12. Amusements	$2,880,917	2 %	$57,618
13. Rentals of Real Property	$20,154,088	2 %	$403,058
14. Rentals of Personal Property	$12,035,269	2 %	$240,705
15. Contracting	$100,867,177	1 %	$1,008,672
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$306,489,561	2 %	$6,129,790
25. Hotel/Motel	$12,678,948	2 %	$253,581
Other Taxable Activities	$219,502,142		$2,838,534
TOTAL	$846,140,863		$13,269,112

Figures may not add to total due to rounding.

TABLE 23

DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS
IN YUMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1987 AND ENDING JUNE 30, 1988

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$81,682,377	1 %	$816,824
5. Communications	$13,702,123	1 %	$137,021
9. Publishing	$1,184,032	1 %	$11,840
10. Printing	$2,122,292	1 %	$21,223
11. Restaurants and Bars	$57,479,832	2 %	$1,149,596
12. Amusements	$3,673,651	2 %	$73,473
13. Rentals of Real Property	$16,554,526	2 %	$331,070
14. Rentals of Personal Property	$19,644,749	2 %	$392,895
15. Contracting	$84,474,300	1 %	$844,745
24. Pre 5/83 Contracting			
26. Pre 7/74 Contracting			
17. Retail	$400,023,822	2 %	$8,000,472
25. Hotel/Motel	$15,707,433	2 %	$314,150
Other Taxable Activities	$68,363,887		$140,036
TOTAL	$764,613,023		$12,233,345

Figures may not add to total due to rounding.

TABLE 24
STATE SALES TAX DISTRIBUTION TO COUNTIES
1983-84 Through 1987-88

COUNTY	1983-84 (1)	1984-85 (2)	1985-86	1986-87	1987-88
Apache	$ 2,341,551	$ 2,077,604	$ 2,413,543	$ 2,855,747	2,855,747
Cochise	4,173,538	3,497,233	3,493,498	3,431,334	3,476,947
Coconino	6,509,616	5,127,191	5,471,965	5,610,720	5,837,146
Gila	2,630,814	2,188,305	2,324,779	2,136,012	2,333,551
Graham	961,069	768,085	720,315	687,487	707,622
Greenlee	1,634,560	1,121,539	1,040,083	1,026,409	1,455,429
La Paz	902,152	689,938	830,669	795,295	841,691
Maricopa	102,639,877	107,426,813	116,405,844	124,891,722	131,829,415
Mohave	4,660,702	3,817,772	3,980,503	4,164,980	4,281,442
Navajo	5,447,169	4,063,731	3,997,581	4,506,484	4,659,465
Pima	32,670,034	30,065,337	31,966,001	33,291,637	34,663,653
Pinal	5,445,341	4,113,823	4,292,030	4,412,252	4,928,417
Santa Cruz	1,239,676	1,146,961	1,158,205	1,180,945	1,252,506
Yavapai	5,282,339	4,162,873	4,710,438	4,751,896	5,223,667
Yuma	4,716,579	3,912,478	3,869,368	3,898,260	4,143,925
	$ 181,255,017	$ 174,179,683	$ 186,674,822	$ 197,641,179	$ 208,490,623

County distributions are based on relative assessed valuation and sales in the county

Figures may not add to totals due to rounding

(1) FY 1983-84 includes a $25 million appropriation which was distributed monthly with the counties' shares of the Distribution Base.
(2) Prior to FY 1985-86, counties were reimbursed for 100% of their loss from removal of the tax on food.

TABLE 25
STATE SALES TAX DISTRIBUTION TO MUNICIPALITIES
FOR FISCAL YEAR 1987-88

CITIES BY COUNTY	AMOUNT	COUNTY TOTAL
APACHE		
Eagar	$225,171	
Springerville	$105,747	
St. Johns	$189,551	$520,469
COCHISE		
Benson	$239,242	
Bisbee	$402,615	
Douglas	$734,885	
Huachuca City	$93,475	
Sierra Vista	$1,620,155	
Tombstone	$91,842	
Willcox	$182,510	$3,364,724
COCONINO		
Flagstaff	$2,152,490	
Fredonia	$58,531	
Page	$364,063	
Williams	$127,525	$2,702,609
GILA		
Globe	$387,536	
Hayden	$67,819	
Miami	$152,849	
Payson	$394,119	
Winkleman	$59,654	$1,061,977
GRAHAM		
Pima	$89,991	
Safford	$394,514	
Thatcher	$193,378	$677,883
GREENLEE		
Clifton	$238,898	
Duncan	$33,935	$272,833
LA PAZ		
Parker	$143,063	$143,063
MARICOPA		
Avondale	$546,125	
Buckeye	$212,680	
Carefree	$85,436	
Cave Creek	$129,501	
Chandler	$3,591,539	
El Mirage	$242,393	
Gila Bend	$112,497	
Gilbert	$681,086	
Glendale	$6,888,061	
Goodyear	$258,773	
Guadalupe	$259,387	
Litchfield Park	$190,909	
Mesa	$13,483,652	
Paradise Valley	$665,101	
Peoria	$1,553,179	
Phoenix	$49,617,566	
Scottsdale	$6,103,255	
Surprise	$226,242	
Tempe	$7,481,808	
Tolleson	$249,767	
Wickenburg	$220,896	
Youngtown	$128,711	$92,928,564
MOHAVE		
Bullhead City	$961,855	
Colorado City	$118,134	
Kingman	$586,872	
Lake Havasu City	$998,890	$2,665,751
NAVAJO		
Holbrook	$325,572	
Pinetop-Lakeside	$134,451	
Show Low	$282,911	
Snowflake	$205,754	
Taylor	$112,892	
Winslow	$445,786	$1,507,366
PIMA		
Marana	$94,214	
Oro Valley	$171,626	
South Tucson	$368,847	
Tucson	$20,474,026	$21,108,713
PINAL		
Apache Junction	$803,609	
Casa Grande	$880,589	
Coolidge	$385,570	
Eloy	$351,177	
Florence	$342,961	
Kearny	$148,918	
Mammoth	$107,266	
Superior	$258,877	$3,278,967
SANTA CRUZ		
Nogales	$882,617	
Patagonia	$55,151	$937,768
YAVAPAI		
Camp Verde	$329,233	
Chino Valley	$214,812	
Clarkdale	$95,451	
Cottonwood	$281,903	
Jerome	$26,447	
Prescott	$1,193,926	
Prescott Valley	$307,903	
Sedona	$164,576	$2,614,251
YUMA		
San Luis	$158,091	
Somerton	$246,553	
Wellton	$52,905	
Yuma	$2,634,239	$3,091,788
TOTAL	$136,876,726	$136,876,726

City distributions are based on relative population.
Figures may not add to totals due to rounding.

TABLE 26

MUNICIPAL SALES TAX COLLECTION PROGRAM

COLLECTIONS BY CITY

FOR FISCAL YEAR 1987-88

CITY	RATE (PERCENT)	COLLECTIONS	CITY	RATE (PERCENT)	COLLECTIONS
Apache Junction	1,2,3	$2,671,409	Oro Valley	2	$779,678
Avondale	1	$862,218	Page	1	$733,091
Benson	2	$564,236	Paradise Valley	1,2	$2,077,172
Bisbee	2	$[illegible]9,712	Parker	1,3	$525,137
Buckeye	1	$232,507	Payson	2	$1,608,071
Bullhead City	1	$1,409,075	Pima	1	$36,813
Carefree	1	$331,187	Pinetop-Lakeside	2	$1,051,846
Casa Grande	1.5,2	$3,090,940	Prescott Valley	1,2	$750,685
Cave Creek	1,1.5	$209,426	Safford	1	$730,371
Chino Valley	1,2	$316,417	San Luis	2	$390,606
Clarkdale	1	$32,449	Sedona	1,3	$388,285
Clifton	1	$86,195	Show Low	2	$1,621,991
Colorado City	1	$4,301	Sierra Vista	1	$2,034,390
Coolidge	1.5,2	$949,423	Snowflake	2	$395,985
Cottonwood	1,2	$1,709,618	Somerton	2	$173,076
Douglas	2	$1,583,723	South Tucson	2	$1,028,586
Duncan	2	$63,311	Springerville	2	$672,592
Eagar	2	$210,333	St. Johns	1	$174,815
El Mirage	2	$383,076	Superior	1	$65,392
Eloy	1.5	$478,371	Surprise	1	$444,051
Florence	2	$258,308	Taylor	1	$57,496
Fredonia	1	$37,058	Thatcher	1	$254,096
Gila Bend	1,2	$273,753	Tolleson	2	$474,699
Gilbert	1	$1,917,882	Tombstone	2	$170,166
Glendale	1	$12,155,644	Wellton	2	$174,485
Globe	1	$546,238	Wickenburg	1	$631,347
Goodyear	1	$735,814	Willcox	1,2	$578,838
Guadalupe	1	$264,609	Williams	2,3	$602,360
Holbrook	2	$1,004,948	Winkleman	2	$42,342
Huachuca City	1	$81,900	Winslow	1,2	$956,349
Jerome	2,4	$87,397	Youngtown	1	$182,513
Kearny	1	$103,907	Yuma	1	$5,101,512
Kingman	1,2	$2,694,185			
Lake Havasu City	1	$1,942,759			
Litchfield Park	1,2	$359,012	TOTAL		$63,372,873
Marana	2	$156,885			
Miami	1	$55,815			

Figures may not add to total due to rounding.

TABLE 27
MUNICIPAL SALES TAX COLLECTION PROGRAM
1975-76 through 1987-88

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
1975-76	$ 10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59
1982-83	34,141,550	59
1983-84	39,237,842	60
1984-85	45,595,426	64
1985-86	51,527,477	64
1986-87	56,952,127	66
1987-88	63,372,873	69

TABLE 28
INCOME TAX COLLECTIONS

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88	PERCENT OF NET COLLECTIONS IN 1987-88
Withheld from Wages						
Gross Revenue	$ 418,869,050	$ 520,151,450	$ 576,701,782	$ 599,660,202	$ 698,699,875	
Refunds and Charge-offs	123,334,520	146,748,025	148,652,578	171,542,248	2,247,014 (1)	
NET	$ 295,534,530	$ 373,403,425	$ 428,049,204	$ 428,117,954	$ 696,452,861	69%
Individual & Fiduciaries						
Gross Revenue	231,658,295	254,354,660	275,161,560	333,498,960	345,881,711	
Refunds and Charge-offs	485,298	1,513,779	253,964	195,226	188,354,346 (1)	
NET	$ 231,172,997	$ 252,840,881	$ 274,907,596	$ 333,303,734	$ 157,527,365	16%
Corporations						
Gross Revenue	207,341,166	215,436,786	213,236,463	249,213,473	229,759,928	
Refunds and Charge-offs	9,454,969	13,159,631	44,553,812	50,264,849	79,011,174	
NET	$ 197,886,197	$ 202,277,155	$ 168,682,651	$ 198,948,624	$ 150,748,754	15%
Sub-total Net Collections	$ 724,593,724	$ 828,521,461	$ 871,639,451	$ 960,370,312	$ 1,004,728,980	100%
Less distributions for:						
Urban Revenue Sharing	91,085,500	97,206,149	99,574,591	124,212,169	130,653,468	
Contracted Collection Agency	22,315	58,257	127,478	133,834	82,254	
Wildlife Contributions	238,370	231,923	228,176	244,496	232,818	
Child Abuse Prevention	----	150,154 (2)	260,616	278,754	263,369	
Sub-Total Distributions	$ 91,346,185	$ 97,646,483	$ 100,190,861	$ 124,869,253	$ 131,231,909	
NET REVENUE TO STATE GENERAL FUND	$ 633,247,539	$ 730,874,978	$ 771,448,590	$ 835,501,059	$ 873,497,071	

(1) The method of accounting for refunds and charge-offs changes in this fiscal year.
(2) Effective for tax years beginning from and after December 31, 1984.

TABLE 29

EXEMPTIONS, DEDUCTIONS & CREDITS INDEXED TO INFLATION

TAX YEAR	PERSONAL EXEMPTION	BLIND EXEMPTION	AGE 65 AND OVER EXEMPTION	DEPENDENT EXEMPTION	STANDARD DEDUCTION %	STANDARD DEDUCTION LIMIT (1)	MAXIMUM RENTER'S CREDIT	MAXIMUM PROPERTY TAX CREDIT
1977 (base year)	$ 1,000	$ 500	$ 1,000	$ 600	10.00 %	500/$1,000	$ 50	$ 225
1978	1,101	551	1,101	661	11.00	551/1,101	83 (2)	248
1979	1,226	613	1,226	736	12.00	613/1,226	92	276
1980	1,422	711	1,422	854	14.00	711/1,422	107	320
1981	1,589	795	1,589	954	16.00	795/1,589	120	358
1982	1,729	865	1,729	1,038	17.00	865/1,729	130	389
1983	1,759	880	1,759	1,056	18.00	880/1,759	132	396
1984	1,834	917	1,834	1,100	18.00	917/1,834	100 (3)	413 (4)
1985	1,941	971	1,941	1,165	19.40	971/1,941	100	437
1986	1,996	998	1,996	1,198	19.96	998/1,996	100	449
1987	2,045	1,023	2,045	1,227	20.45	1,023/2,045	100	460

(1) Amounts shown are for individual and married-filing-jointly returns.

(2) Base for renter's credit changed to $75 in 1978.

(3) As of the 1984 tax year the renter's tax credit is 5% of rents paid or $100 , whichever is less.

(4) As of the 1984 tax year the property tax credit is capped based on the actual property tax paid.

TABLE 30
SELECTED INDIVIDUAL INCOME TAX CREDITS

CREDIT	1984-1985 CLAIMANTS	1984-1985 CREDITS	1985-1986 CLAIMANTS	1985-1986 CREDITS	1986-1987 CLAIMANTS	1986-1987 CREDITS	1987-1988 CLAIMANTS	1987-1988 CREDITS
Energy Conservation (1)	35,022	$ 23,241,259 (2)	34,441	$ 22,156,078	26,566	$ 17,123,718	18,483	$ 11,611,606
Property Tax	259,775	28,939,761 (3)	28,018	5,690,454	28,682	6,012,423	26,642	6,089,507
Renter's			242,678	22,134,552	243,917	22,300,377	240,812	22,284,559
TOTAL CREDITS		$ 52,181,020		$ 49,981,084		$ 45,436,518		$ 39,985,672

(1) Includes residential insulation credit, solar development credit and commercial solar credit.
For tax beginning from and after December 31, 1984, income tax credit for installation of residential insulation and devices had been repealed.

(2) Total miscellaneous credits: includes foreign tax credits and energy conservations credits.

(3) In order to make room for additional items on the form, these credits were combined and cannot be presented individually.
Effective 84-85, the legal eligibility requirements for both the property tax and renter's credits were changed and resulted in a lower number of claimants and the reduction in the average credit per claim.

TABLE 31
URBAN REVENUE SHARING

FISCAL YEAR	AMOUNT
1975-76	26,558,140
1976-77	30,313,600
1977-78	31,405,355
1978-79	36,356,905
1979-80	42,997,581
1980-81	53,942,465
1981-82	65,083,596
1982-83	73,596,099
1983-84	83,061,596
1984-85	96,166,908
1985-86	108,637,795 (1)
1986-87	124,212,169
1987-88	130,653,477

(1) Distributed in FY 85-86. $99,574,591 came from FY 85-86 receipts. The remaining $9,063,204 was set aside from FY 84-85 receipts.

TABLE 32

DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING

TO MUNICIPALITIES IN 1987-88

CITIES BY COUNTY	AMOUNT	% OF TOTAL
APACHE		
Eagar	$ 215,503.93	0.1649 %
Springerville	101,207.66	0.0775
St. Johns	181,408.95	0.1388
COCHISE		
Benson	228,969.53	0.1752
Bisbee	385,332.39	0.2949
Douglas	703,336.69	0.5383
Huachuca City	89,465.63	0.0685
Sierra Vista	1,550,593.97	1.1868
Tombstone	87,903.62	0.0673
Willcox	174,676.12	0.1337
COCONINO		
Flagstaff	2,060,079.49	1.5768
Fredonia	56,017.01	0.0429
Page	348,436.58	0.2667
Williams	122,052.45	0.0934
GILA		
Globe	370,897.25	0.2839
Hayden	64,904.36	0.0497
Miami	146,290.61	0.1120
Payson	377,199.21	0.2887
Winkleman	57,094.27	0.0437
GRAHAM		
Pima	86,126.17	0.0659
Safford	377,576.21	0.2890
Thatcher	185,071.58	0.1417
GREENLEE		
Clifton	228,646.36	0.1750
Duncan	32,479.12	0.0249
LA PAZ		
Parker	136,918.50	0.1048
MARICOPA		
Avondale	522,681.79	0.4001
Buckeye	203,546.42	0.1558
Carefree	81,763.28	0.0626
Cave Creek	123,937.63	0.0949
Chandler	3,437,343.93	2.6309
El Mirage	231,985.82	0.1776
Gila Bend	107,671.14	0.0824
Gilbert	651,844.14	0.4989
Glendale	6,592,340.55	5.0457
Goodyear	247,659.83	0.1896
Guadalupe	248,252.31	0.1900
Mesa	12,904,757.64	9.8771
Paradise Valley	636,547.18	0.4872
Peoria	1,486,497.59	1.1377
Phoenix	47,487,344.99	36.3460
Scottsdale	5,841,227.84	4.4708
Surprise	216,527.32	0.1657
Tempe	7,160,590.05	5.4806
Tolleson	239,041.82	0.1830
Wickenburg	211,410.35	0.1618
Youngtown	123,183.56	0.0943
MOHAVE		
Bullhead City	$ 920,564.19	0.7046 %
Colorado City	113,057.41	0.0865
Kingman	561,678.29	0.4299
Lake Havasu City	956,005.73	0.7317
NAVAJO		
Holbrook	311,594.62	0.2385
Pinetop-Lakeside	128,677.52	0.0985
Show Low	270,766.84	0.2072
Snowflake	196,921.34	0.1507
Taylor	108,048.22	0.0827
Winslow	426,644.95	0.3265
PIMA		
Marana	90,165.86	0.0690
Oro Valley	163,056.72	0.1248
South Tucson	353,014.89	0.2702
Tucson	19,596,409.15	14.9988
PINAL		
Apache Junction	769,102.79	0.5887
Casa Grande	842,786.71	0.6451
Coolidge	369,012.06	0.2824
Eloy	336,102.07	0.2572
Florence	328,238.16	0.2512
Kearny	142,520.19	0.1091
Mammoth	102,661.98	0.0786
Superior	247,767.55	0.1896
SANTA CRUZ		
Nogales	844,725.78	0.6465
Patagonia	52,785.26	0.0404
YAVAPAI		
Camp Verde	315,095.70	0.2412
Chino Valley	205,593.21	0.1574
Clarkdale	91,350.81	0.0699
Cottonwood	269,797.31	0.2065
Jerome	25,315.37	0.0194
Prescott	1,135,947.01	0.8694
Prescott Valley	294,681.80	0.2255
YUMA		
San Luis	151,299.81	0.1158
Somerton	235,971.64	0.1806
Wellton	50,630.77	0.0388
Yuma	2,521,142.60	1.9296
TOTAL	$ 130,653,477.15	100.0000 %

TABLE 33
LUXURY TAX COLLECTIONS

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88	PERCENT OF COLLECTIONS IN 1987-88
SPIRITUOUS LIQUOR						
NET REVENUE	$14,600,111	$17,049,450	$18,034,731	$17,059,104	$17,287,330	18.527%
VINOUS LIQUOR						
NET REVENUE	$3,663,608	$6,785,029	$7,563,260	$7,832,584	$7,907,950	8.475%
MALT LIQUOR						
NET REVENUE	$7,235,455	$14,102,897	$15,250,805	$15,927,165	$15,705,711	16.832%
TOBACCO - ALL TYPES						
GROSS REVENUE	$44,266,716	$51,386,983	$51,419,032	$51,781,811	$53,028,844	56.832%
REFUNDS/DISCOUNTS	($2,793,086)	($1,862,655)	($644,674)	($563,562)	($623,073)	-0.668%
LICENSES	$1,475	$1,575	$1,575	$1,600	$1,600	0.002%
NET REVENUE	$41,475,105	$49,525,903	$50,775,933	$51,219,849	$52,407,371	56.166%
TOTAL NET REVENUE	$66,974,279	$87,463,279	$91,624,729	$92,038,702	$93,308,362 *1	100.000%

*1 Of the monies collected from the Luxury Tax during fiscal year 1987-88, $22,503,791 was deposited in the Corrections Fund. The remaining $70,804,571 was deposited in the State.

TABLE 34
COLLECTIONS OF ESTATE TAXES AND UNCLAIMED PROPERTY

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88	PERCENT OF COLLECTIONS IN 1987-88
ESTATE TAXES	$12,978,900	$15,302,387	$13,528,098	$26,389,374	$32,276,168	
REFUNDS	$442,689	$555,594	$359,381	$720,537	$1,297,578	
NET	$12,536,211	$14,746,793	$13,168,717	$25,668,837	$30,978,590	89.08%
UNCLAIMED PROPERTY	$1,271,125	$1,864,695	$2,531,318	$4,824,885	$4,281,091	
REFUNDS	$239,286	$226,500	$320,995	$321,526	$476,051	
NET	$1,031,839	$1,638,195	$2,210,323	$4,503,359	$3,805,040	10.94%
ESCHEATED ESTATES	$231,461	$164,930	$106,091	$202,692	$141,532	
REFUNDS	$26,426	$155,558	$59,828	$152,751	$150,744	
NET	$205,035	$9,372	$46,263	$49,941	($9,212)	-0.03%
UNCLAIMED DIVIDENDS	$71,641	$4,746	$17,168	$64	$45	
REFUNDS	$4,298	$77,522	$8	$1,551	$0	
NET	$67,343	($72,776)	$17,160	($1,487)	$45	0.00%
TOTAL NET REVENUE	$13,840,428	$16,321,584	$15,442,463	$30,220,650	$34,774,463	100.00%

TABLE 35
DISTRIBUTION OF ESTATE TAX AND UNCLAIMED PROPERTY COLLECTIONS
1987-88

Net to General Fund	$34,778,286
Net Change in Reserves	($9,167)
Net to Refund Account	5,344
TOTAL NET COLLECTIONS	$34,774,463

TABLE 36
BINGO COLLECTIONS
1978-79 through 1987-88

FISCAL YEAR	AMOUNT
1978-79	$127,072
1979-80	$142,458
1980-81	$159,422
1981-82	$276,216
1982-83	$388,758
1983-84	$415,224
1984-85	$412,285
1985-86	$600,158
1986-87	$730,593
1987-88	$798,818

TABLE 37

PRIMARY TAX LEVIES AND AVERAGE TAX RATES

1988

COUNTY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	TOTAL	AVERAGE PRIMARY RATE
APACHE	$385,457,457	$1,811,650	$2,657,343	$0	$0	$8,773,973	$13,242,966	3.44
COCHISE	336,544,042	1,581,757	11,014,858	885,903	5,121,675	13,090,901	$31,695,094	9.42
COCONINO	519,923,595	2,443,641	4,917,957	1,437,222	0	21,122,933	$29,921,753	5.76
GILA	188,464,616	885,783	8,574,649	872,250	0	9,037,534	$19,370,216	10.28
GRAHAM	58,149,305	273,302	1,424,135	108,110	844,968	1,555,009	$4,205,524	7.23
GREENLEE	84,050,505	395,037	630,329	4,980	0	3,483,804	$4,514,150	5.37
LA PAZ	95,403,303	448,396	2,483,253	0	1,371,231	3,109,990	$7,412,870	7.77
MARICOPA	12,373,679,004	58,121,461	177,809,767	47,607,090	80,098,810	523,634,741	$887,271,869	7.17
MOHAVE	433,661,202	2,038,208	10,434,612	1,309,010	3,873,462	19,289,980	$36,945,272	9.52
NAVAJO	501,183,065	2,355,560	4,376,565	188,801	3,523,320	15,712,910	$26,157,156	5.22
PIMA	2,895,086,221	13,606,905	118,634,650	4,335,418	21,450,000	145,314,937	$303,341,910	10.48
PINAL	476,254,730	2,238,397	23,763,205	1,043,888	7,447,075	22,968,329	$57,460,894	12.07
SANTA CRUZ	104,400,524	490,682	3,509,320	0	0	4,532,143	$8,532,145	8.17
YAVAPAI	496,843,262	2,335,163	13,557,361	743,641	7,113,799	23,988,870	$47,738,834	9.61
YUMA	336,765,582	1,582,798	8,304,640	2,597,133	4,840,178	16,649,855	$33,974,604	10.09
TOTAL	$19,285,866,413	$90,608,740	$392,092,644	$61,133,446	$135,684,518	$832,265,909	$1,511,785,257	$7.84

AVERAGE PRIMARY TAX RATE $7.84

PRIMARY TAX LEVIES AND AVERAGE TAX RATES

1987

COUNTY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	TOTAL	AVERAGE PRIMARY RATE
APACHE	$372,512,307	$1,415,547	$2,536,064	$0	$0	$8,071,732	$12,023,343	3.23
COCHISE	315,665,635	1,199,529	10,664,347	705,494	4,867,066	13,713,736	31,150,172	9.87
COCONINO	485,524,504	1,844,993	4,585,482	1,313,616	0	19,873,645	27,617,736	5.69
GILA	176,108,639	669,212	7,925,768	842,319	0	8,662,384	18,099,683	10.28
GRAHAM	56,304,493	213,957	1,353,616	99,210	806,787	1,419,573	3,893,143	6.91
GREENLEE	69,281,311	263,269	535,957	4,921	0	2,487,353	3,291,500	4.75
LA PAZ	84,303,745	320,354	2,134,992	0	1,209,185	3,157,495	6,822,026	8.09
MARICOPA	11,488,429,321	43,656,031	165,318,498	43,927,868	70,272,141	482,852,864	806,027,402	7.02
MOHAVE	394,420,412	1,498,798	9,748,889	1,194,150	3,439,318	18,476,037	34,357,192	8.71
NAVAJO	489,957,643	1,861,839	4,232,188	186,304	2,946,800	13,790,832	23,017,963	4.70
PIMA	2,743,293,470	10,424,515	108,985,560	4,074,984	18,750,000	136,484,392	278,719,451	10.16
PINAL	422,939,743	1,607,171	21,374,199	1,005,355	7,077,819	19,352,239	50,416,783	11.92
SANTA CRUZ	97,472,278	370,395	3,404,706	0	0	4,735,690	8,510,791	8.73
YAVAPAI	452,212,424	1,718,407	12,626,675	668,655	6,153,180	21,425,389	42,592,306	9.42
YUMA	315,463,890	1,198,763	7,791,775	2,349,683	4,524,759	15,765,588	31,630,568	10.03
TOTAL	$17,963,889,815	$68,262,780	$363,218,716	$56,372,559	$120,047,055	$770,268,949	$1,378,170,059	$7.67

AVERAGE PRIMARY TAX RATE $7.67

TABLE 38

SECONDARY TAX LEVIES AND AVERAGE TAX RATES

1988

COUNTY	NET ASSESSED VALUATION	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	AVERAGE SECONDARY RATE
APACHE	$392,512,758	$843,902	$0	$0	$6,031,377	$553,934	$7,429,213	1.89
COCHISE	352,328,831	2,189,363	6,000	0	3,485,073	2,696,761	$8,377,197	2.38
COCONINO	555,385,017	955,063	2,041,633	0	12,651,047	2,785,115	$18,432,858	3.32
GILA	193,929,921	854,059	8,673	0	2,281,696	743,492	$3,887,920	2.00
GRAHAM	58,840,142	17,318	0	89,437	1,576,838	144,292	$1,827,885	3.11
GREENLEE	84,180,877	518,537	0	0	1,307,892	27,463	$1,853,892	2.20
LAPAZ	98,514,710	77,551	0	0	458,500	878,627	$1,414,678	1.44
MARICOPA	13,480,787,074	29,503,310	85,226,619	9,218,850	187,803,034	73,759,378	$385,511,191	2.86
MOHAVE	465,324,499	2,177,172	509,840	0	4,174,671	5,699,368	$12,561,051	2.70
NAVAJO	525,986,579	402,160	48,100	0	9,663,751	2,277,217	$12,391,228	2.36
PIMA	3,110,816,678	35,523,428	12,591,330	0	45,239,491	23,013,201	$116,367,450	3.74
PINAL	503,669,984	702,637	362,536	327,144	7,597,939	3,870,820	$12,861,076	2.55
SANTA CRUZ	110,318,878	356,110	0	0	1,978,681	846,887	$3,181,678	2.88
YAVAPAI	539,024,436	1,088,324	820,418	0	5,593,452	4,954,088	$12,456,282	2.31
YUMA	345,676,406	2,520,000	364,746	0	4,494,235	1,761,216	$9,140,197	2.64
TOTAL	$20,817,296,790	$77,728,934	$101,979,895	$9,635,431	$294,337,677	$124,011,859	$607,693,796	$2.92

AVERAGE SECONDARY TAX RATE $2.92

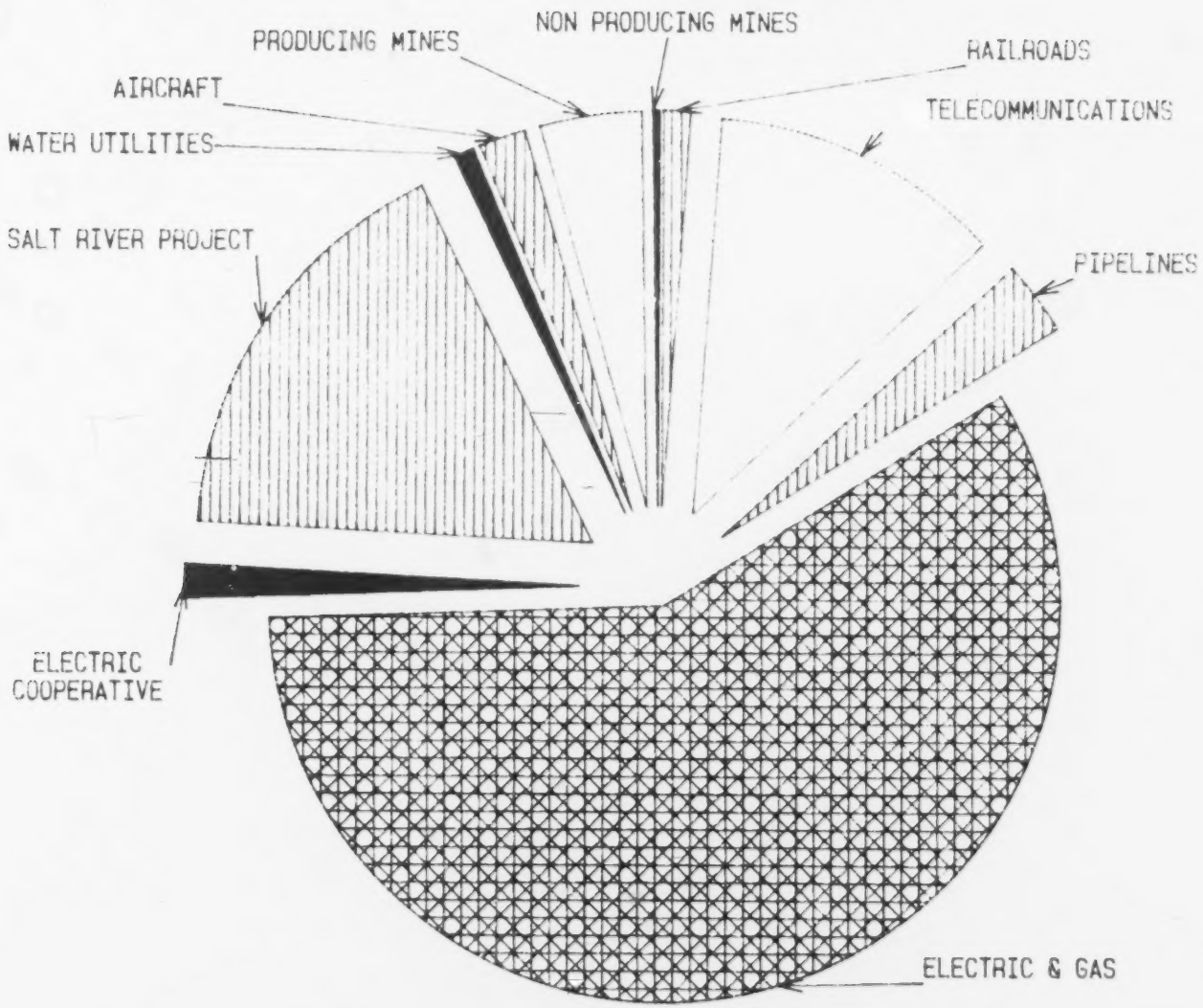
SECONDARY TAX LEVIES AND AVERAGE TAX RATES

1987

COUNTY	NET ASSESSED VALUATION	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	AVERAGE SECONDARY RATE
APACHE	$380,840,269	$770,060	$0	$0	$4,571,730	$498,893	$5,840,683	1.53
COCHISE	336,838,658	1,994,805	6,000	0	2,445,334	2,627,891	7,074,030	2.10
COCONINO	527,799,981	964,424	803,572	0	11,193,645	2,452,071	15,413,712	2.92
GILA	184,248,810	828,009	8,673	0	1,844,039	660,563	3,341,284	1.81
GRAHAM	57,444,829	20,852	0	88,408	1,457,870	141,626	1,708,956	2.97
GREENLEE	69,479,302	907,819	0	0	1,350,242	30,777	2,288,838	3.29
LAPAZ	87,781,914	67,782	0	0	556,300	716,703	1,360,785	1.55
MARICOPA	12,402,456,053	27,251,761	63 751,004	9,057,513	160,655,301	68,925,270	329,640,849	2.66
MOHAVE	421,109,066	2,092,855	509,340	0	2,748,994	5,174,043	10,525,232	2.50
NAVAJO	522,716,618	374,600	50,315	0	10,759,640	2,367,775	13,552,330	2.59
PIMA	2,993,817,624	33,570,885	10,751,650	0	45,309,168	26,044,252	115,675,955	3.86
PINAL	442,675,785	667,676	183,892	327,144	6,979,594	3,365,588	11,523,894	2.60
SANTACRUZ	104,895,517	346,575	0	0	1,302,985	935,408	2,584,968	2.46
YAVAPAI	482,422,587	882,423	686,680	0	5,506,086	4,881,211	11,956,400	2.48
YUMA	324,456,546	2,491,710	359,751	0	5,683,698	1,701,544	10,236,703	3.16
TOTAL	$19,338,983,559	$73,252,236	$77,110,877	$9,473,065	$262,364,626	$120,523,815	$542,724,619	$2.81

AVERAGE SECONDARY TAX RATE $2.81

GRAPH 39



Industries subject to valuation by the Department and their respective portions of the total 1988 full cash value ($18,085,934,000)

TABLE 40

PROPERTY VALUES

The total full cash value of the properties included in each of the industries valued by the Department for 1986, 1987, and 1988 is as follows:

Industry	Full Cash Value 1986	1987	1988
Railroad	$ 278,585,000	$ 223,790,000	$ 222,395,000
Telecommunications	1,949,331,000	2,112,416,000	2,170,655,000
Pipelines	432,025,000	500,991,000	550,096,000
Electric & Gas	7,542,852,000	10,335,895,000	10,531,584,000
Electric Cooperatives	310,127,000	265,522,000	276,538,000
Salt River Project	2,375,300,000	2,939,316,000	3,072,009,000
Water Utilities	120,870,000	134,816,000	136,730,000
Airlines (Aircraft)	230,758,000	279,235,000	345,129,000
Private Rail Cars	24,155,000	23,820,000	(Not Available)*
Mines (Producing)	642,202,000	616,280,000	773,628,000
Mines (Nonproducing)	3,443,000	8,992,000	5,211,000
Producing Oil & Gas	3,940,000	1,897,000	1,959,000
TOTAL:	$13,913,588,000	$17,442,970,000	$18,085,934,000
PERCENT CHANGE:	+15.6%	+25.4%	+3.7%

*Private Rail Cars are not valued until December of each year.

TABLE 41

PROPERTY ASSESSMENT RESPONSIBILITY

PRIMARY

1988

COUNTY	NET ASSESSED VALUATION	VALUED BY STATE AMOUNT	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT	VALUED BY COUNTY PERCENT
APACHE	$385,457,457	$321,327,467	83.42	$63,917,592	16.58
COCHISE	336,544,042	107,058,180	31.90	229,172,788	68.10
COCONINO	519,923,595	184,927,713	35.70	334,293,526	64.30
GILA	188,464,616	51,370,431	27.32	136,976,985	72.68
GRAHAM	58,149,305	7,469,763	13.07	50,547,932	86.93
GREENLEE	84,050,505	69,323,238	82.53	14,681,826	17.47
LA PAZ	95,403,303	45,748,547	48.10	49,514,064	51.90
MARICOPA	12,373,679,004	2,476,971,727	20.06	9,891,535,335	79.94
MOHAVE	433,661,202	71,384,628	16.58	361,776,781	83.42
NAVAJO	501,183,065	289,578,923	57.89	211,038,142	42.11
PIMA	2,895,086,221	346,112,436	12.08	2,545,390,456	87.92
PINAL	476,254,730	162,131,705	34.14	313,677,040	65.86
SANTA CRU	104,400,524	13,086,665	12.90	90,936,726	87.10
YAVAPAI	496,843,262	82,100,497	16.64	414,188,276	83.36
YUMA	336,765,582	63,614,999	18.99	272,830,462	81.01
TOTAL	$19,285,866,413	$4,292,206,919	22.26	$14,980,477,951	77.68

SECONDARY

1988

NET ASSESSED VALUATION	VALUED BY STATE AMOUNT	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT	VALUED BY COUNTY PERCENT
$392,512,758	$321,539,865	81.86	$71,185,291	18.14
352,328,831	107,371,254	30.39	245,270,651	69.61
555,385,017	185,630,069	33.30	370,457,304	66.70
193,929,921	51,487,631	26.49	142,559,490	73.51
58,840,142	7,601,373	12.70	51,370,379	87.30
84,180,877	69,368,679	82.35	14,857,639	17.65
98,514,710	45,889,239	46.44	52,766,163	53.56
13,480,787,074	2,482,143,669	18.37	11,003,815,347	81.63
465,324,499	71,884,421	15.34	393,939,871	84.66
525,986,579	290,144,903	55.05	236,407,656	44.95
3,110,816,678	349,695,765	11.13	2,764,704,242	88.87
503,669,984	162,577,690	32.19	341,538,279	67.81
110,318,878	13,463,798	11.86	97,232,213	88.14
539,024,436	82,654,986	15.23	456,923,939	84.77
345,676,406	63,935,120	18.40	282,061,407	81.60
$20,817,296,790	$4,305,388,462	20.68	$16,525,089,871	79.38

1987

COUNTY	NET ASSESSED VALUATION	VALUED BY STATE AMOUNT	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT	VALUED BY COUNTY PERCENT
APACHE	$372,512,307	$310,182,074	83.27	$62,330,233	16.73
COCHISE	315,665,635	101,376,617	32.12	214,289,018	67.88
COCONINO	485,524,504	181,519,749	37.39	304,004,755	62.61
GILA	176,108,639	46,129,945	26.19	129,978,694	73.81
GRAHAM	56,304,493	7,550,744	13.41	48,753,749	86.59
GREENLEE	69,281,311	52,909,961	76.37	16,371,350	23.63
LA PAZ	84,303,745	36,332,665	43.10	47,971,080	56.90
MARICOPA	11,488,429,321	2,490,304,901	21.68	8,998,124,420	78.32
MOHAVE	394,420,412	69,591,830	17.64	324,828,582	82.36
NAVAJO	489,957,643	294,509,781	60.11	195,447,862	39.89
PIMA	2,743,293,470	324,393,120	11.82	2,418,900,350	88.18
PINAL	422,939,743	137,562,958	32.53	285,376,785	67.47
SANTA CRU	97,472,278	13,093,609	13.43	84,378,669	86.57
YAVAPAI	452,212,424	78,708,014	17.41	373,504,410	82.59
YUMA	315,463,890	62,258,767	19.74	253,205,123	80.26
TOTAL	$17,963,889,815	$4,206,424,735	23.42	$13,757,465,080	76.58

1987

NET ASSESSED VALUATION	VALUED BY STATE AMOUNT	VALUED BY STATE PERCENT	VALUED BY COUNTY AMOUNT	VALUED BY COUNTY PERCENT
$380,840,269	$310,358,964	81.49	$70,481,305	18.51
336,838,658	101,562,161	30.15	235,276,497	69.85
527,799,981	182,077,944	34.50	345,722,037	65.50
184,248,810	46,178,648	25.06	138,070,162	74.94
57,444,829	7,642,714	13.30	49,802,115	86.70
69,479,302	52,943,204	76.20	16,536,098	23.80
87,781,914	36,504,140	41.59	51,277,774	58.41
12,402,456,053	2,493,441,921	20.10	9,909,014,132	79.90
421,109,066	69,926,476	16.61	351,182,590	83.39
522,716,618	294,897,688	56.42	227,818,930	43.58
2,993,817,624	326,315,006	10.90	2,667,502,618	89.10
442,675,785	137,898,272	31.15	304,777,513	68.85
104,895,517	13,327,020	12.71	91,568,497	87.29
482,422,587	79,272,229	16.43	403,150,358	83.57
324,456,546	62,468,717	19.25	261,987,829	80.75
$19,330,983,559	$4,214,815,104	21.79	$15,124,168,455	78.21

GRAPH 42

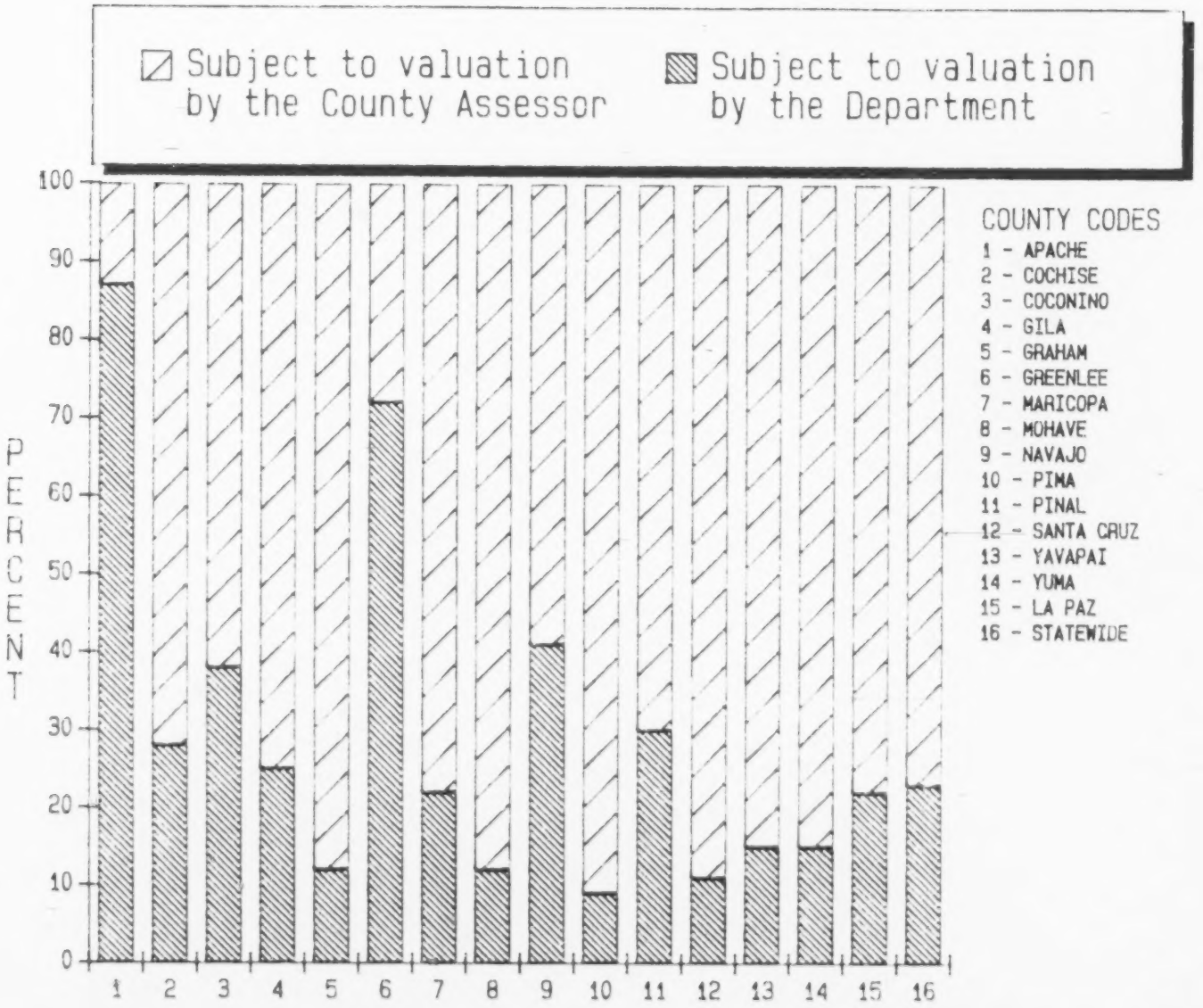

Subject to valuation by the County Assessor
Subject to valuation by the Department
PERCENT
100
90
80
70
60
50
40
30
20
10
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16
COUNTY CODES
1 - APACHE
2 - COCHISE
3 - COCONINO
4 - GILA
5 - GRAHAM
6 - GREENLEE
7 - MARICOPA
8 - MOHAVE
9 - NAVAJO
10 - PIMA
11 - PINAL
12 - SANTA CRUZ
13 - YAVAPAI
14 - YUMA
15 - LA PAZ
16 - STATEWIDE

TABLE 43

AVERAGE PROPERTY TAX RATES

	1985		1986		1987		1988	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY	PRIMARY	SECONDARY	PRIMARY	SECONDARY
SCHOOL DISTRICTS	$3.94	$1.12	$3.98	$1.28	$4.29	$1.36	$4.32	$1.41
COUNTIES	2.04	.29	2.03	.35	2.02	.38	2.03	.37
STATE	.40	---	.38	---	.38	---	.47	---
CITIES	.32	.38	.31	.41	.31	.40	.32	.49
COMMUNITY COLLEGES	.74	.06	.69	.05	.67	.05	.70	.05
SPECIAL DISTRICTS	---	.57	---	.57	---	.62	---	.60
TOTAL	$7.44	$2.42	$7.39	$2.66	$7.67	$2.81	$7.84	$2.92

SCHOOL DISTRICT RATE INCLUDES UNORGANIZED SCHOOL DISTRICTS.

TABLE 44

SALES RATIO SUMMARY

Part A: MEDIAN SALES RATIOS*

	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL NON-AGRICULTURAL PROPERTY
1980	0.561	0.770	0.716	0.731
1981	0.541	0.896	0.650	0.838
1982	0.566	0.844	0.611	0.803
1983	0.985	0.910	0.694	0.875
1984	0.820	0.913	0.743	0.906
1985	0.863	0.931	0.848	0.923
1986	0.921	1.020	0.910	1.000
1987	0.870	0.994	0.823	0.985
1988	0.921	1.009	0.869	0.999

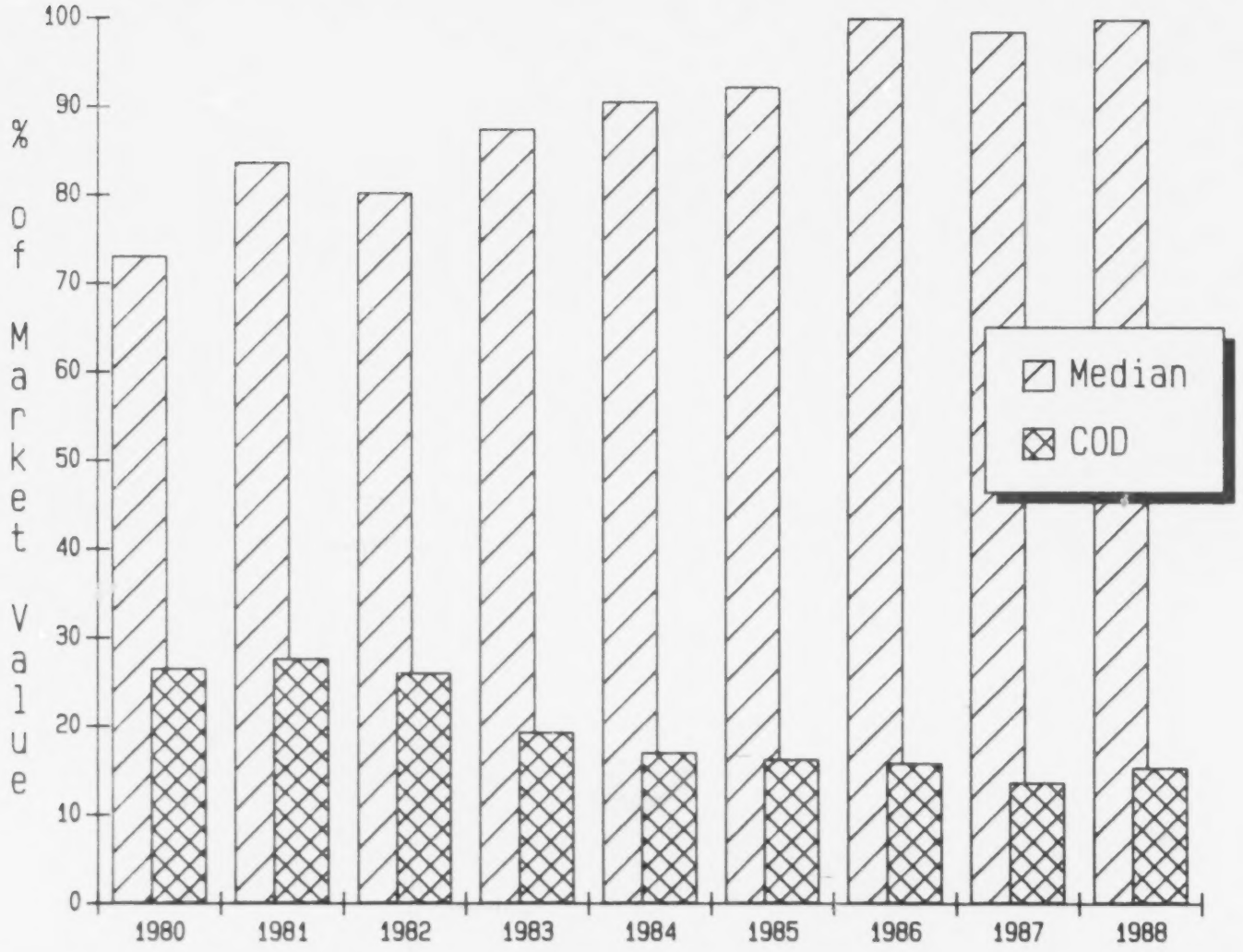
Part B: COEFFICIENTS OF DISPERSION

	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL NON-AGRICULTURAL PROPERTY
1980	0.579	0.224	0.415	0.333
1981	0.645	0.214	0.508	0.346
1982	0.629	0.186	0.546	0.326
1983	0.398	0.168	0.434	0.243
1984	0.405	0.151	0.431	0.214
1985	0.365	0.148	0.411	0.204
1986	0.336	0.145	0.386	0.199
1987	0.380	0.124	0.389	0.170
1988	0.365	0.134	0.359	0.190

*Adjusted to reflect 20 percent allowance for inclusion of below-market financing and personal property in nominal sales prices.

GRAPH 45

Median Sales Ratio and Coefficients of Dispersion
Total Nonagricultural Property: 1980 – 1988



1988 LEGISLATIVE SUMMARY

Senate Bills

SB 1005 Ch. 107 E — Municipal Tax Code Commission; Membership and Duties. Established a municipal tax code commission chaired by the director of the Department of Revenue and with membership of two city mayors and two public members. Requires the adoption of the model sales tax code by cities and towns that impose a transaction privilege tax. Bill prescribes at least two meetings a year and submittal of annual reports by January 1. Requires review of commission on adoption of city tax code changes and allows public hearing of changes. If tax code changes are adopted, the commission must notify cities and towns of changes by other municipalities. Requires the Commission to maintain a master record of all amendments to the model city tax code and have public access to the information. Commission repeals July 1, 1992. Effective May 25, 1988.

SB 1012 Ch. 62 — Exempt Organization Federal Tax Deduction. Provides the qualified tax-exempt organizations may deduct at the state level the amount of federal taxes paid on "unrelated business income". Effective September 30, 1988.

SB 1034 Ch. 142 — Political Party Trust Fund; Taxpayer Contributions. Establishes the trust fund consisting of taxpayer contributions from the individual income tax return check-off (similar to the wildlife and abused children check-offs). Fund is administered by State Treasurer. Taxpayers will designate contribution and party on the tax return to be deducted from their refund, or they may attach a check for the contribution. Costs of administration will be deducted from political parties trust fund and reimbursed to General Fund. Effective tax years from and after December 31, 1987.

SB 1035 Ch. 120 — Income tax; Information Returns; Dividends. Conforms the filing requirements on the filing of informational returns to same requirements as federal government. Provides for Department of Revenue to make available the names of corporations qualifying for the special deduction for Arizona corporate dividends. Effective tax years from and after December 31, 1988.

SB 1043 Ch. 41 — Tax Levy; Four Decimal Places. The law requires that county, municipal, school district and community college district property tax rates are to be rounded to four decimal places. Previous law did not specifically state rounding requirements. Effective September 30, 1988.

SB 1055 Ch. 108

Bingo; Multiple Class Licensing. This law restructures the bingo statutes to a three-tiered structure based upon annual gross receipts reported by a licensee. The in-lieu tax rate, licensing requirements and other administrative provisions are also changed. All tax revenues are deposited into the General Fund. Effective September 30, 1988.

SB 1125 Ch. 330

Tax Court. Provides for a tax court division to be established under the Maricopa County Superior Court to hear all Arizona tax-related civil cases as well as tax disputes relating to political subdivisions. The court would be based in Maricopa County but will travel to other counties for taxpayer convenience. A small claims division is also established for tax cases involving $5,000 or less tax liability, owner-occupied residential property valuation disputes or other property valuaton disputes of $100,000 or less. Taxpayer has the option of utilizing the small claims division and the decisions from that division are final and not subject to appeal. Judge selection will be from current Maricopa County Superior Court judges willing to serve at least two years or the remainder of his or her term in the tax court division. Effective September 30, 1988.

SB 1143 Ch. 205

County Sales Tax; Contractor Exemption. Provides for exemption for certain qualified prime contractors from the Yuma County sales tax temporarily levied to pay a county division judgment and repay a state loan. Tax became effective October 1, 1987. Bill moves termination of the tax from March 31, 1989 to February 28, 1989. Any remaining monies from the tax after the satisfaction of the judgment and loan will be placed into Yuma County General Fund. Effective retroactively October 1, 1987.

SB 1150 Ch. 141 E

Hospital Districts; Tax Levy. Addresses property taxes for fiscal year 1988-89 for hospital special taxing districts.

2B 1199 Ch. 332 E

Vehicles; Special Permit; Tax Exceptions. Bill contains motor vehicle law changes as well as providing for sales tax exemptions on purchases of motor vehicles by enrolled members of an Indian Tribe who reside on the reservation; or by out of state purchasers from states not allowing a corresponding use tax exemption. Out of state purchasers must purchase a special 30-day non-resident registration to qualify for tax exemption effective June 13, 1988 Additional language clarifies the exemption for dial-a-ride and special needs transportation services from the sales tax effective retroactively to June 30, 1982.

SB 1237 Ch. 174

Property Tax Refunds; Interest. Bill prescribes the method for payment of excess 1987 primary property tax collections to Maricopa County taxpayers. Methods of calculating overpayment on each piece of property subject to tax in 1987 and the crediting of that amount against the 1988 primary property taxes levied against that property are specified. Exempts property participating in the litigation which resulted in the excess tax determination and which are subject to a refund under the litigation from repayment under bill. Amends A.R.S. 11-505 to require payment of interest on erroneous or duplicate property tax payment refunds. Effective September 30, 1988

SB 1261 Ch. 271 E

Taxation Computations and Revisions. This is the omnibus tax bill addressing tax revenues for fiscalyear 1988-89. Tax measures are described by tax type below. Additional provisions in bill are the establishment of Joint Select Committee on State Revenues and Expenditures and an appropriation to the Property Tax Oversight Commission. The Joint Select Committee is to review and analyze all areas of taxation from both historical and prospective perspective and examine all areas of expenditures. The final report is to provide recommendations for policy changes. Bill also transfers $24.0 million from Tax Protest Resolution Fund to the General Fund.

SALES TAX

o Lowers the amount allowed a taxpayer on the accounting allowance to a maximum of $500 per month. Accounting allowance is equal to the lesser of 8/10% of the taxes owed or $500. Effective July 1, 1988.

o Increases the rate on hotels and motels from 4% to 5.5%. Of the taxes collected, $2M is dedicated to the promotion of tourism. Effective August 1, 1988.

o Increases the rental of real property tax rate from 3.75% to 5%. Also adds "casual" commercial rentals to the taxable activity which overturns a previous court decision. This tax is now imposed on all commercial rentals of real property. Effective August 1, 1988.

o Removes the exemption on expendable material for the semiconductor industry. They are still eligible for machinery and equipment exemption. Effective on August 1, 1988.

SB 1261 Ch. 271 E (continued)

PROPERTY TAX

o Freezes three property tax class assessment ratios at their 1987 levels for the 1988 and 1989 property tax years. Property tax Classes 1 and 2 are at 30% and Class 6 is at 15%. Effective 1988 property tax year.

o Homeowners property tax reduction for Class 5 property had previously been unlimited in the amount of the reduction. This change limits the reduction to $500 for an individual homeowner property. Effective for the 1988 tax year.

o Unorganized school district tax rate is the property tax rate equal to the qualifying tax rate of $4.72 on property in unorganized territories. Limits for homeowners are $.50 the first year, increasing $.50 per year to reach the full tax rate by 1997. Effective with 1988 property tax year.

o The state property tax rate is increased from 38 cents per $100 of assessed valuation to 47 cents for 1988.

o The Salt River Project property makes voluntary contributions in-lieu of paying property taxes, therefore, the value of its property was not included in the calculation to determine the amount of basic state aid to schools vs. the local property taxes. This resulted in a school district with SRP property receiving a larger amount of state aid than districts without SRP property and thus having a lower property tax rate. The new law adds the SRP property values in basic state aid to education calculation. The SRP makes contributions in lieu of property taxes. The resulting property tax rate increase is capped at 50 cents for homeowners. Each year this rate increase will increase 50 cents per $100 of assessed value until the full rate is reached.

INCOME TAX

o Arizona conformed to the depletion rates for oil, mineral and gas production at the federal level. Effective tax years beginning on or after December 31, 1987.

o Eliminated the preferential corporate gains tax rate. Effective tax years beginning on or after December 31, 1987.

o Restricts the controlled corporate dividend deduction to receiving corporations which are Arizona corporations, or multi-state or multi-national which has its headquarters in Arizona. Effective tax years beginning on or after December 31, 1987.

SB 1261 Ch. 271 E (continued)

INCOME TAX

o Provides for a corporate alternative minimum tax of $50 if corporate income tax paid would be less than $50. Effective tax years beginning on or after December 31, 1987.

o The special subtraction to return the individual income tax "windfall" which resulted from federal tax law changes is continued. This year the special subtraction has been increased to 63% of the actual federal tax liability or $600. Whichever is greater but with a maximum subtraction allowed of $20,000. This special subtraction is in addition to the usual subtraction of federal income taxes taken by individuals on their return. Effective only for tax years beginning on or after December 31, 1987.

o Individual income tax filers who itemized deductions were allowed to claim a deduction for state gas tax paid during the tax year. This deduction was eliminated from the tax laws effective for tax years beginning on or after December 31, 1987.

SB 1295 Ch. 56

Telecommunications Service Assistance Program. The expiration date of this special program for low income and elderly customers has been extended to June 30, 1990. Local telephone service providers are allowed to claim sales tax credit for reimbursement of program costs.

SB 1324 Ch. 209

Community College; County Tax Authority. Among the provisions of this education bill is the authority for a county not already in an organized community college district to seek voter approval to levy property taxes for community college purposes in excess of the limitations. The tax revenues collected will be used to reimburse the costs of students attending another county or to establish a campus in the county affiliated with the community college district. Effective date September 30, 1988.

House Bills

HB 2001 Ch. 161

Sales Tax; Recodify Business Classifications. This bill is intended to recodify the portions of the transaction privilege tax statutes (sales tax) which define business classifications, exemptions and taxability of business activities to place them into more easily understood language. It is intended to be purely technical in nature and to have no substantive or revenue impacts. The provisions of this bill will not become effective until July 1, 1989.

HB 2002 Ch. 162

Property Tax; Income Approach Valuation. Revisions to the initial property valuation notification date, the appeal date and adding the income approach to valuation in certain property valuation appeals are contained in this bill. The initial property valuation notification date of February 1, was changed to January 1. Other appeal dates were adjusted to reflect this date change. The county board of equalization appeal deadline was also changed from May 20 to May 10. Certain property tax appeals based on the income approach to valuation must include the most recent three consecutive years of income and expense data with their initial appeal to the county assessor. Any appeals above the county assessor level will be limited to the data provided with the initial appeal and testimony presented by the taxpayer or his representative, the assessor or the Department of Revenue. A final provision requires a taxpayer representative in property tax appeals to be designated annually by the property owner. Effective September 30, 1988.

HB 2006 Ch. 58

Income Tax; Capital Loss Carryover. This law change conforms the Arizona income tax treatment on corporate capital losses to the federal treatment. This change eliminates the possibility of a double deduction due to the old differences between the state and federal tax codes. Effective for tax years beginning on or after January 1, 1988.

HB 2010 Ch. 303

Sales Tax Exemption; Nonprofit Museums. This bill has several sales tax exemption provisions. First, the gross income from admissions charged by such nonprofit organizations as museums, zoos and botanical gardens have been exempted from the sales tax. Second, the purchases of tangible personal property by qualified nonprofit health organizations and charitable organizations engaging in the training, job placement or rehabilitation for the mentally or physically handicapped persons are exempted from the sales tax. Effective September 30, 1988.

HB 2047 Ch. 59

Nuclear Emergency Appropriation and Assessment. Annually an assessment against each consortium of public service and municipal corporations engaging in constructing or operating a commercial nuclear generating station is made to fund the nuclear emergency management fund for the succeeding fiscal year. The assessment this year was $626,100.

HB 2051 Ch. 11

Miscellaneous Business Expense Tax Deduction. This bill allows a taxpayer to deduct certain moving expenses and business expenses on their individual income tax returns beginning with tax year 1987. Changes at the federal level required Arizona to clarify the deductibility of employer reimbursed expenses for moves into or out of state or moves within Arizona for business reasons. These deductions are on the tax form Schedule A. Effective on March 9, 1988 for tax years beginning on or after December 31, 1986.

HB 2082 Ch. 145 E

Council for the Hearing Impaired; Continuation; Tax Increase. An important part of this bill which authorized the continuation of the Council was the tax increase to fund the activities of the Council. This tax was increased from 2/10% to 4/10% on the amount charged by a telecommunications provider for exchange access services. Effective June 2, 1988.

HB 2086 Ch. 93 E

Transaction Privilege Tax; Use Fuel Excepted Amount. Beginning April 1, 1988, the federal government imposed the federal excise tax on use fuel consumed for off-road purposes. Since the sales price of this fuel now contains that federal tax, this bill provides for the exception from the sales tax for that portion of the attributable to federal excise taxes. Effective May 20, 1988.

HB 2106 Ch. 233

Rural Road Improvement Districts. This bill allows Pinal County to adopt a resolution through the Board of Supervisors to form a rural road improvement district either by their own motion or at the request of the majority of property owners. The requirements of the resolution contents and the process necessary to form the district are provided by the bill. Effective September 30, 1988.

HB 2110 Ch. 198 E

Property Tax Refund; Church Property. This emergency legislation requires that churches receive a refund for property taxes paid in 1986 or 1987, provided they submit a claim to the County Treasurer's Office. Additionally, a provision is included to forgive taxes and penalties on taxes not paid for the same years. Effective June 13, 1988.

HB 2134 Ch. 34

Volunteer Fire Departments; Taxation Exemption. The property of volunteer fire departments used for fire suppression and not for the benefit of any individual is exempt from the property tax under this bill. Effective September 30, 1988.

HB 2213 Ch. 157

Airport Leases; Tax Exemption. An additional exemption to the possessory property tax was added in this bill by the inclusion of leases on land located at airports in counties whose population is 400,000 persons or less. The exempt property must be used primarily for manufacturing,. retail, distribution, research or commercial purposes, including hotels and motels. Effective September 30, 1988.

HB 2271 Ch. 346

Regional Public Transportation Authority; Monies; Election. This law was primarily technical and conforming changes for the bonding provisions of the Regional Public Transportation Authority (RPTA). Among the provisions were that the RPTA cannot change or terminate any public transportation excise tax (collected by the Department of Revenue) and that if a public transit tax is approved by a county, then the authority to levy the tax is changed from the county to RPTA. Effective September 30, 1988.

HB 2306 Ch. 283

Pest Abatement Districts; Formation; Operation. The primary focus of this bill is the process to establish a Pest Abatement District, including changes in the election process and voting requirements. It also addresses district boundaries. The property owned by a district is also exempted from state and local taxes and the district tax rate levy is increased to no greater than $.50 per $100 assessed valuation from the previous $.25 limit. Effective September 30, 1988.

HB 2308 Ch. 200

Irrigation District Fiscal Year. Provides for the Board of Directors of an irrigation district to specify the fiscal year of the district and notify the County Board of Supervisors and State Treasurer of the fiscal year dates. Effective September 30, 1988.

HB 2400 Ch. 320

Community Facilities District; Formation. This law establishes community facilities districts for Arizona. Among the provisions of this bill are the requirements to establish a district, budgetary processes, financing, bonding, special tax assessments, judicial review, elections of officers and the method for dissolution of a district. Effective September 30, 1988.

HB 2403 Ch. 349

Community College District; Contiguous County. This bill provides for the formation of a community college district between an existing district and contiguous counties not part of any community college district. Prescribes the computation for the determination of levy limits for the existing district and the contiguous county. The Economics Estimates Commission is to compute the expenditure limitations for the existing district and contiguous county consolidating into the new district by the process contained in this bill. Effective September 30, 1988.